Evergreen Area Retail Study

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and
Planning Department
City of San José

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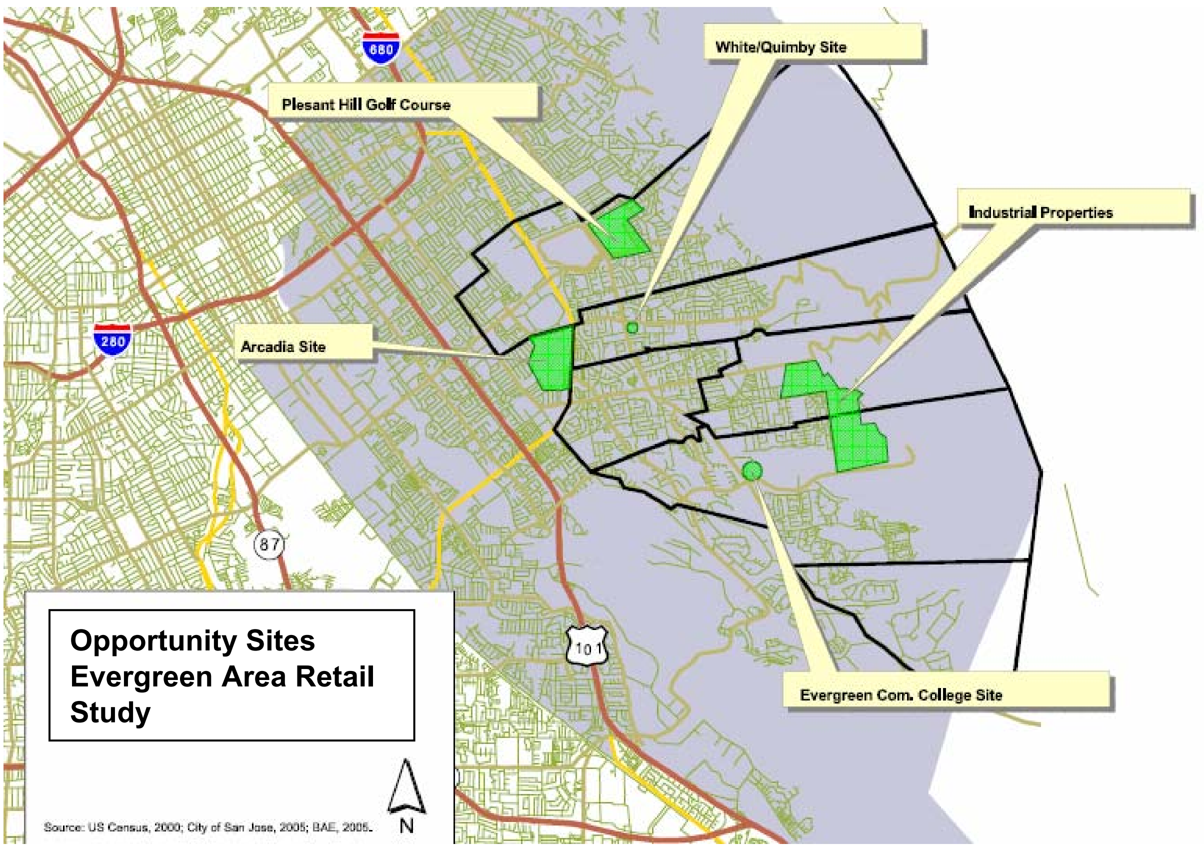
Executive Summary

The purpose of this report is to analyze the market potential and development feasibility of new retail development in the Evergreen Area. This analysis, commissioned in support of the larger Evergreen East Hills Visioning Strategy planning process, focuses on retail opportunities for both local-serving and regional/lifestyle facilities at five key opportunity sites including:

- Arcadia Site
- Evergreen Community College Site
- Pleasant Hills Golf Course
- The "Industrial" Properties
- White/Quimby Site



Synopsis of Retail Development Potential in Evergreen

It should be noted that this analysis adjusted supply and demand data to model a fully operational Lunardi's (data for this analysis is from 2003, Lunardi's first full year of operation).

Arcadia Site. The Evergreen Regional Trade Area exhibits strong demand for a number of lifestyle anchors. The following retail components are recommended for this site:

Total Retail 300,000 sq. ft.

- Home Furnishings – 40,000 sq. ft.
- Furniture – 50,000 sq. ft.
- Bookstore – 25,000 sq. ft.
- Sporting Goods Store – 25,000 sq. ft.
- Upscale Grocery Store – 40,000 to 50,000 sq. ft.
- Small shops/restaurants – 50,000 to 80,000 sq. ft.

Evergreen Community College Site. A 55,000 to 65,000 square foot local serving neighborhood center is recommended, occupied primarily by a 50,000 square foot traditional supermarket.

Pleasant Hills Golf Course. Though the site location is not well suited for a major retail center, the overall retail demand indicates that a 5,000 square foot convenience center could be a development component on this site. To avoid cannibalization of existing and other planned retail it may be appropriate to limit the scope of the site's retail development.

The "Industrial" Properties. Given the overall retail demand as well as the affluence of surrounding residential communities, a small 5,000 to 10,000 square foot specialty/convenience center could be appropriate as part of the mix of uses on this large site.

White/Quimby Site.
This site is well-positioned to be modernized or reused as a 90,000 to 100,000 square foot contemporary neighborhood retail center, anchored by a traditional 50,000 square foot grocery store. A mix of neighborhood retailing along with for-sale condominiums, will yield sufficient financial return to stimulate a feasible new development project.

Methodology

This report assesses both market demand and financial feasibility of development at the opportunity sites. Building on prior studies conducted by the City of San Jose and the San Jose Redevelopment Agency, as well as input from the Evergreen visioning process, this report utilizes the following methodology:

Market Analysis Methodology

- Review recent demographic trends

- Identify local trade areas (LTAs) for local-serving goods such as grocery and drugstores, based on current and future residential development patterns and existing competitive supply
- Identify a regional trade area based on transportation access, development patterns, and the location of existing competitive supply
- Map and review existing retail supply for trade areas
- Analyze current retail sales for the trade areas, based on store-by-store confidential data for taxable retail sales
- Estimate potential sales and supportable square feet of new stores for each trade area
- Identify types of retailers that match trade area demographics and complement existing retail supply
- Recommend retail opportunities with market support for each key site

Financial Analysis Methodology

- Based on market analysis as well as Task Force objectives for residential and office land uses, formulate conceptual development programs for selected key sites
- Create pro formas to test development program feasibility

Trade Area Definitions

The following map (Figure 1) illustrate the boundaries of the Local Trade Areas (LTA), formulated to capture demand and shopping patterns for items such as food, drugstore items, and a portion of apparel purchases made locally. The Local Trade Areas for this study were defined based on windshield surveys and the on-the-ground market knowledge of Metrovation, and are based on driving patterns, neighborhood development, and likely attraction to each of the existing retail centers.

Figure 2 illustrates the larger regional trade area (RTA), formulated to reflect the likely geography from which shoppers could be drawn to a larger shopping facility if it were developed within the Evergreen study area.

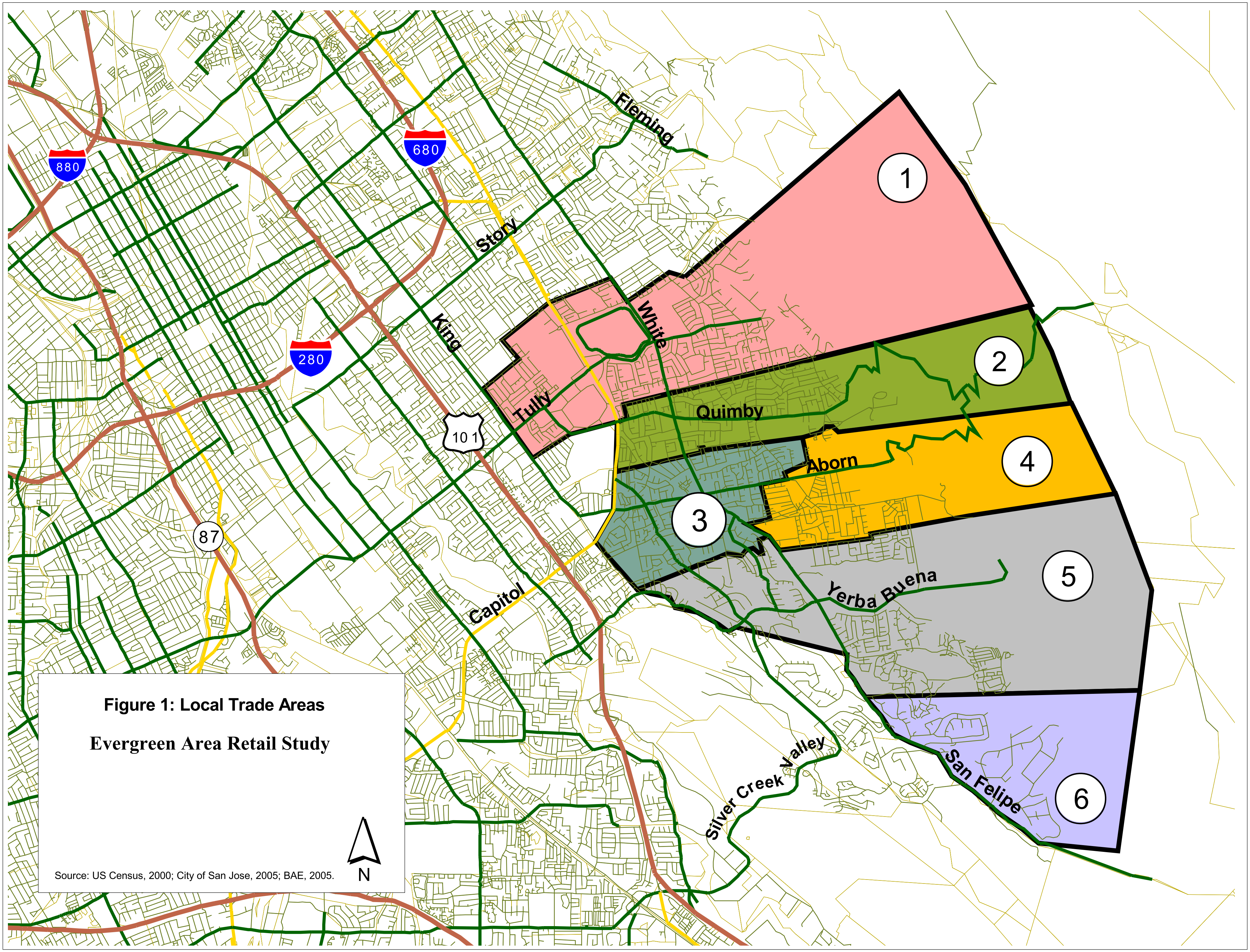


Figure 1: Local Trade Areas

Evergreen Area Retail Study

Source: US Census, 2000; City of San Jose, 2005; BAE, 2005.

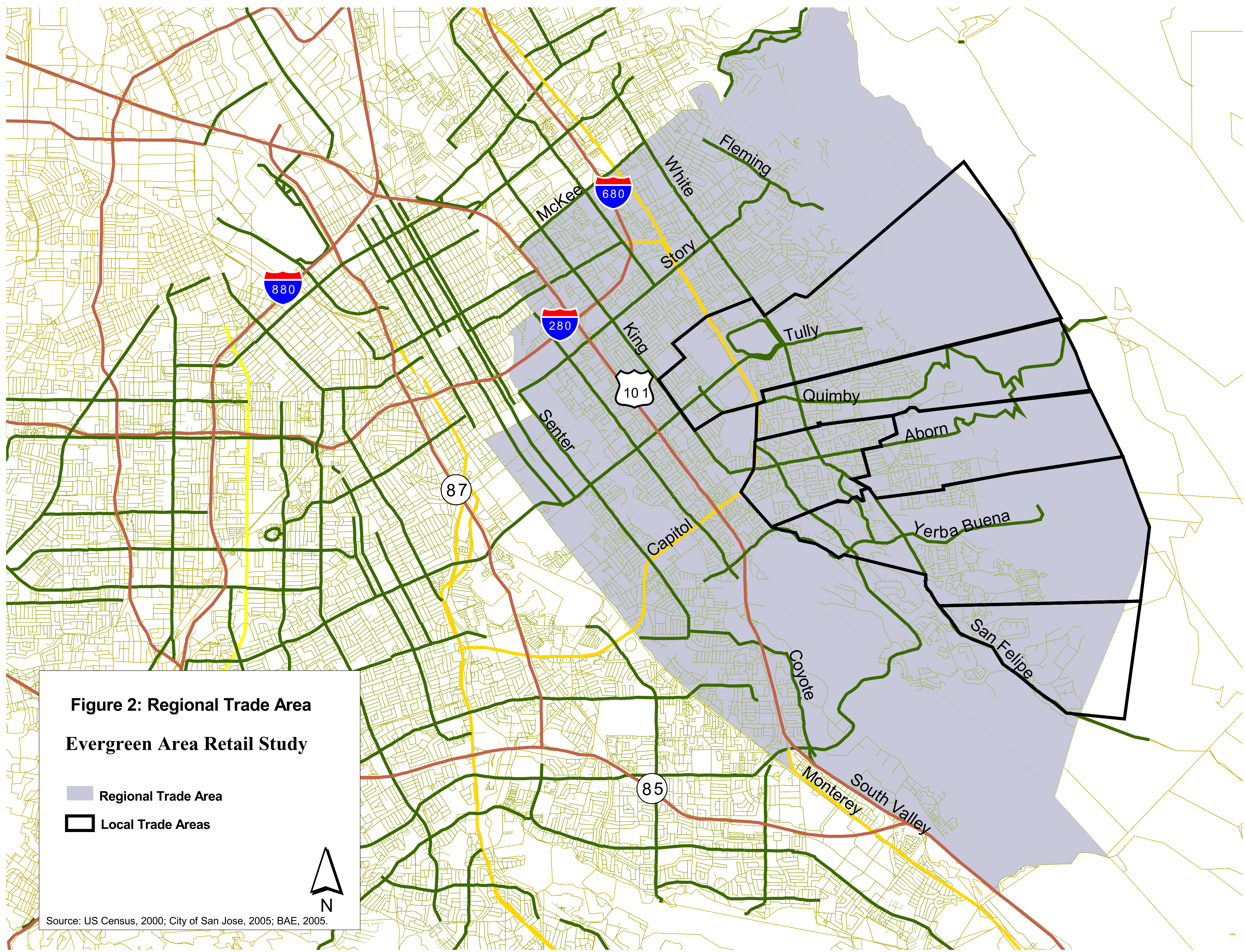


Figure 2: Regional Trade Area

Evergreen Area Retail Study

Source: US Census, 2000; City of San Jose, 2005; BAE, 2005.

Summary of Demographic Trends

Evergreen Study Area (east of 101, south of Story Road)

- In 2000, the Evergreen area had a population of 75,500, living in relatively large-sized households averaging 3.7 persons.

- Evergreen will continue to grow in the near future. Since 2000, 1,843 residential units have been built in Evergreen[1]. An additional 1,186 residential units have permits for construction.

- Evergreen has a relatively high proportion of homeowners - in 2000, Evergreen's ownership rate was 85.3 percent, compared to 61.8 percent for the City overall, and 57.8 percent for the Bay Area region.

- Household incomes for Evergreen indicate an affluent community. In 2004, Evergreen's estimated median household income was $110,200, compared to $80,000 for San Jose overall, and $71,600 for the Bay Area.

- Evergreen has a high concentration of very affluent households. In 2004, an estimated 31 percent of Evergreen households earned more than $150,000, compared to just 18 percent for the City and 16 percent for the Bay Area.

- Evergreen has a diverse ethnic composition, including 45 percent Asian/Pacific Islander, 35 percent white and 20 percent other and mixed ethnicities.

- These demographic characteristics are particularly favorable to retailers offering lifestyle and specialty retail merchandise.

Regional Trade Area

- The Regional Trade Area, defined as the area encompassing the Evergreen Study Area plus additional neighborhoods that would be attracted to a regional shopping destination, had a population of 317,600 living in relatively large households averaging 4.1 persons in 2000.

- The regional trade area has also continued to grow, with almost 3,000 housing units added since 2000, and an additional 1,500 permitted for construction.

- The RTA's substantial population and continued housing growth demonstrate strong characteristics for regional shopping and lifestyle goods.

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[1] As of November, 2004.

Retail Sales Trends in Evergreen Retail Study Area

The analysis in this report examines recent actual taxable retail sales in Evergreen, in order to understand trends and identify strengths and weaknesses. The analysis is not inflation-adjusted, due to the short, two-year time period analyzed. Key findings include:

Growth and Decline by Category

- Total taxable retail sales in the Evergreen Study area increased 6.8 percent from 2001 to 2003, despite the economic slowdown in the Bay Area.

- Despite this positive finding, there was some variability among specific categories of goods.

- Taxable retail sales grew in General Merchandise (includes department and discount stores like Target, and drugstores like Walgreen's). Taxable retail sales also grew for the grocery store category.

- Substantial growth occurred in automotive-related sales (almost a 50 percent increase during the two-year period), reflecting the addition of a major new dealership to the area.

- Sales declined in the categories of apparel, specialty retail, restaurants, home furnishings/appliances, building materials, and "other". Most of these categories tend to slow down during economic decline periods.

Composition of Sales in Evergreen

- In 2003, General Merchandise sales were the largest category, comprising 28.1 percent of all Evergreen taxable retail sales.

- Automotive was the second-largest category, with 25.5 percent of taxable retail sales.

- Apparel and Specialty Retail comprised a combined 12.6 percent of total sales, and Restaurants were approximately 12.4 percent of the total.

- Grocery (Food) Stores comprise 8.9 percent of total Evergreen taxable sales.

- Relatively small sectors included Building Materials and Home Furnishings/Appliances with 4.8 and 4.1 percent of the total sales respectively. Other retail sales comprised 3.7 percent of Evergreen sales.

Study Area Retail Sales Leakage

A leakage analysis of Regional Trade Area encompassing Evergreen indicated that per capita annual sales were $3,800. When compared to San Jose's overall per capita sales pattern for the same time period, the data indicate that the Evergreen RTA is capturing only about half of potential sales; with about half of potential sales leaking outside of the Evergreen trade area.

Market Support for New Neighborhood Retail

Grocery Stores

- The analysis conducted for this report indicates strong support for new grocery stores in Evergreen. Based on the report's analysis, current unmet demand translates into additional potential capturable sales of approximately $18 million. When adding the approved future housing units and development at the Evergreen Vision Strategy sites, potential unmet demand increase further to $43 to $54 million.

- These findings translate into additional market support for approximately 43,000 square feet of new grocery store space today (net of an adjustment to demand to allow for the relatively new Lunardi's store to stabilize), and as much as 133,000 square feet with implementation of the Evergreen Vision Strategy.

- Local Trade Areas 4 and 5 each will likely support an additional standard format grocery store with approximately 50,000 square feet (such as Safeway or Albertson's). The optimal location to meet this demand is at the White & Quimby site (in LTA 2), due to its central location and strong access/visibility.

- In addition, it is likely that the Arcadia site can support the addition of an upscale grocer such as Whole Foods, Draeger's or Trader Joe's.

Drugstores

The analysis for drugstores indicates that current and future unmet demand results in potential caputurable sales of up to $8 million, which translates into support for at least one new drugstore. However, none of the individual trade areas alone can support this store completely. Local Trade Areas 1 and 4 each demonstrate enough future demand to support 9,000 square feet and 11,000 square feet of drugstore space, respectively, but today's drugstores are typically in the 15,000 square foot range. Moreover, a Walgreen's is currently planned for the Evergreen Square center in Local Trade Area 4. Thus, no additional drugstores are recommended for the Evergreen retail area.

Local Apparel Demand

A portion of all apparel sales were analyzed, to reflect the potential for small, local apparel stores. It should be noted that while this type of store is often considered highly desirable by local residents, most of the national clothing retailers long ago opted to locate at larger regional malls, leaving the independent retailer to venture into or remain in the neighborhood. Thus, it is difficult to find smaller retailers who can sustain the risk of competing with mall stores, and merchandise their clothing appropriately in a neighborhood shopping center setting.

This challenge appears to be present in the Evergreen study area. Due to the large, established concentration of apparel stores at Eastridge Mall, it is difficult to identify sufficient unmet demand to support apparel stores at the neighborhood scale.

However, assuming that one or more very strong independent retailers could be identified, it may be possible to capture a small amount of local-oriented apparel demand, particularly within Local Trade Area 5 and 6. It should be noted that to assure market support for these kinds of retailers, several strong apparel retailers would need to be clustered together to form a small specialty apparel shopping attraction.

Market Support for New Lifestyle Retail

This portion of the analysis focuses on "anchor" retailers that can form the nucleus of a region-serving lifestyle center adjacent to Eastridge Mall. The analysis was conducted with the assumption that after renovations to Eastridge Mall, which include a new multi-screen movie theater, this established regional mall will become an even stronger destination. Thus, retail development at the Arcadia site adjacent to Eastridge must be carefully considered and positioned as a complement to the established mall, building on and enhancing the opportunity at this location to create a "lifestyle" center.

Lifestyle centers are a relatively recent evolution of traditional retailing. Building on the success of specialized retailers targeting certain market segments, the lifestyle center combines entertainment (e.g., movies), shopping, and dining to create an experience that results in a longer stay and increased spending. Lifestyle centers are usually designed as open-air experiences, promoting gathering places, cafes, etc. These centers also often include other uses such as residential or office space above the retail. In San Jose, a popular example of this concept is Santana Row.

It should be noted, however, that the traditional rules of retailing still must be considered to create a successful lifestyle center in most markets. Anchor stores or other destinations are necessary to attract sufficient customers to support the concept, similar to the idea of a traditional mall configuration. Thus, the analysis for this report incorporates the more traditional "anchor" categories, but assesses their potential support assuming that they would be the lifestyle-oriented versions of the category. For example, the analysis looks at anchors such as bookstores (e.g., Barnes & Noble, Border's), home furnishings (e.g., Crate & Barrel, Pottery Barn, Restoration Hardware), and restaurants. In addition, the analysis examines lifestyle apparel retailers (e.g., Chico's, Banana Republic) and shoes. In order to further assess the broadest range of possible anchors not present in the defined trade area, the analysis explored consumer electronics (e.g., Circuit City, Best Buy, CompUSA), pet suppliers (e.g., PetsMart, Petco), and sporting good stores (e.g., Sportmart, Copeland's).

It should also be noted that in some parts of the U.S, the regional trade area that would be analyzed for this range of potential retailers would encompass a larger geography than the trade area assumed herein. However, the regional trade area as defined was considered appropriate in this case due to the affluence present in parts of Southeast San Jose, the lack of this type of specialty retailing supply in the same area, the future growth potential in Evergreen, the relative density of "rooftops" compared to other parts of the country, and the strong interest from national retailers in developing this product type in Northern California.

Anchor Tenant Support for Lifestyle Center

- Bookstore space is strongly supported by current and future demand, resulting in support for 58,000 square feet today and up to 70,000 square feet in the future. Current demand is sufficient to attract and support an anchor bookstore for a lifestyle center, such as a Barnes & Noble.

- Home furnishings demand could support 99,000 square feet currently, and up to 120,000 square feet based on future demand. Current demand is sufficient to support an anchor home furnishing store or other large home accessory store for a lifestyle center. Examples in this size range include Pottery Barn and Crate & Barrel.

- Regional demand for apparel is strong, with 128,000 square feet of space supported by current demand, and up to 166,000 square feet supported by future demand. However, there is little support for shoe retailers within this mix of space.

- Sporting goods demonstrates current support for 27,000 square feet, and future support for up to 36,000 square feet. This support is sufficient to attract a major sporting goods retailer such as Sportmart or Copeland's.

- Restaurant demand is strong in all for all types except fast food (currently sufficiently supplied in the trade area). Though not the primary draw, a complementary cluster of restaurants serves as high-grossing tenants at lifestyle centers and help lengthen the shopping trip, expanding opportunities for other retailers.

- Support for building materials (home improvement) is also strong with 160,000 square feet supported by current demand, and up to 188,000 square feet from future demand. This finding indicates sufficient support for at least one full size home improvement store. Although home improvement stores are not typically included in lifestyle centers, the overlap with home furnishings demonstrates the need for these uses in the Evergreen area and may indicate other potential tenants for a lifestyle center.

- Support for consumer electronics and pet supply stores is marginal to weak, showing no current or future unmet demand sufficient enough to support stores being developed today to serve this category.

Demand for Small Office Spaces

In addition to retail demand, the market needs for additional smaller office spaces to house business services (e.g., accounting, management consulting, engineers, attorneys), personal services (e.g., nail salons, travel agencies, UPS stores), and medical services was explored. These uses are complementary to retail centers, and can sometimes be provided both at the ground floor retail level if serving pedestrians or shoppers coming to the retail stores. In other situations, relating mostly to the business or health services, these uses can work well as second floor uses above retail, providing professional office space for small businesses.

To assess market support for these uses, the following steps were completed:

- Document existing available space and real estate market indicators (e.g., rents, occupancy rates)
- Analyze data regarding the number of small businesses in the area and region
- Explore "working at home" Census data to provide another indicator of the presence of small business not able to find suitable office or service space

Current Supply in Evergreen

The current supply of small business and professional service space in Evergreen is limited, and is available mostly as less-visible space within small shopping centers. A complete inventory of office and commercial space for the Study Area was not available or developed for this report. Research for this report did include a windshield survey to identify vacant office spaces; during this research, only two small spaces were identified as vacant and available for lease, including a 950 square foot space in the Evergreen Village shopping center, and 4,800 square feet in the Tully Business Center. In addition, a medical office building on Jackson Avenue had a small 1,200 square foot medical office space available for lease[2].

Potential Demand for Office Space

To identify potential demand for small office spaces in the Study Area, the distribution of jobs by size of firm was analyzed. As shown in the body of this report (Table 19), about 490 firms have fewer than five employees in the Local Study Area (roughly 11 percent of all jobs in the Area). Total demand for space is also estimated; resulting in the need for approximately 200,000 square feet. The Regional Trade Area has an additional 1,500 firms with fewer than five employees (roughly 7 percent of all jobs in the Area) and additional demand for 530,000 square feet of office space. Generally smaller firms are locally based dependent either on the location of their client base or the residence of the owner. Small businesses are the most likely to expand and require additional local office space. Additionally, many of these businesses serve the local population and as Evergreen grows demand for these businesses will grow proportionally. Assuming that 50 percent of these businesses are local-serving, the build out proposed in the Evergreen Visioning Strategy would generate over 30,000 square feet of additional office demand.

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[2] It is important to note that field research for this report was conducted in early 2005, and vacant/available for lease space has fluctuated since then, as spaces are leased and other spaces are vacated.

As an additional piece of information, the research also looked at "working at home" data from the U.S. Census. As shown in Table 20, approximately 1,150 residents of the Evergreen local area are working at home (some of these may also be counted in the small firms cited above). Based on the almost 5 percent working at home rate in newer parts of Evergreen an additional 200 to 300 home-based businesses can be expected. If 10 percent of these home-based businesses seek local Evergreen office space, 45,000 square feet of additional demand would be generated.

These indicators of local office space needs, based on both the small business data and the proportion of residents working at home, suggest a strong demand for additional small office spaces to house both business and personal services.

Thus, the total of small office users needed to serve current and future residents of the Study area, plus the presence of home-based businesses today and in future housing units, will generate up to 75,000 square feet of additional office demand.

Retail Development Potential on Opportunity Sites

Arcadia Site

The Evergreen Regional Trade Area exhibits strong demand for a number of lifestyle anchors including bookstores (e.g., Barnes & Noble, Borders), home furnishings (e.g., Crate & Barrel, Pottery Barn, Restoration Hardware), lifestyle apparel (e.g., Chico's, Banana Republic), restaurants and sporting good stores (e.g., Sportmart, Copeland's)[3]. Although not typically a lifestyle center tenant, a home improvement store might also be supported at this site, particularly one with a home furnishings orientation.

Given the strong regional demand as well as the unique opportunity of a large site adjacent to Eastridge Mall, the northern portion of this site should be developed as a lifestyle retail center. Retail at this site must be carefully positioned to dovetail with the lifestyle components, such as the multi-screen movie theater under construction at Eastridge. The following retail components are recommended for this site (can be planned along with other land uses to create mixed-use property):

Total Retail 300,000 sq. ft.

- Home Furnishings – 40,000 sq. ft.
- Furniture – 50,000 sq. ft.
- Bookstore – 25,000 sq. ft.[4]
- Sporting Goods Store – 25,000 sq. ft.
- Upscale Grocery Store – 40,000 to 50,000 sq. ft.
- Small shops/restaurants – 50,000 to 80,000 sq. ft.

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[3] In late summer, 2005, General Growth Properties announced some of the new tenants at Eastridge Mall, including a Barnes & Noble. Thus, this potential tenant would no longer be attracted across the street to the Arcadia site.

[4] IBID.

This site was also tested for potential financial feasibility, if developed as a mixed-use project with housing, lifestyle retail, and parking. The scenarios tested indicted that such a mixed use project can be financially viable in today's marketplace, depending on further site planning to ensure that the appropriate layout and functionality of the retail can be preserved and parking still provided for all uses.

According to Metrovation, it is important to note that while a "smart growth" approach to this site would often lead in the direction of placing for-sale housing units over some portions of the ground-floor retail, some of today's developers and anchor retailers have not accepted a "vertical mixed use concept" as advocated by some "smart growth" site designs. Reasons for this resistance and lack of interest by developers/anchor retailers include perceived additional development and financial risk, the concern that permanent residents may be disruptive to shoppers, and the added complexities of building design. While projects placing for-sale housing above grocery stores or furniture stores have been developed on a limited basis around the U.S., a full vertical mixed-use product type should be considered as more difficult to attract a strong pool of potential developers. Thus, design and ultimate land use mix is key to implementing the vision over the near-term, and careful planning with separation of the mix of uses in a practical way will broaden the development's ability to be immediately constructed. If more density is desired, and the resulting design places housing directly over substantial amounts of key retailers on the site (and/or creates the need to park shoppers' cars in a structured garage), the resulting project may face a longer development period as leading developers and retailers perfect their approaches to smart growth designs.

Evergreen Community College Site

The Evergreen Community College Property is ideally suited to capture local serving demand. A 55,000 to 65,000 square foot local serving neighborhood center is recommended, occupied primarily by a 50,000 square foot traditional supermarket[5]. Due to this site's adjacency to the Evergreen Marketplace, no additional drugstore is feasible at the new retail component; rather, the two sites should be designed to function in tandem, creating a single retail node.

Pleasant Hills Golf Course

The Local Trade Area (LTA) containing the Pleasant Hills Golf Course does not exhibit local serving demand for grocery. Though the LTA shows support for 11,000 square feet of drugstore space, the pending addition of Walgreen's at Evergreen Village reduces overall drugstore demand to the point where another drugstore is not recommended for Evergreen. Though the site location is not well suited for a major retail center, the overall retail demand indicates that a 5,000 square foot convenience center could be a development component on this site. To avoid cannibalization of existing and other planned retail it may be appropriate to limit the scope of the site's retail development.

[5] The analysis found this grocery store to be supportable, even with an allowance for stabilization of the new Lunardi's store, particularly after buildout of approved new housing units.

The "Industrial" Properties

The "Industrial" Properties straddle Local Trade Areas 4 and 5 and though there is strong local serving demand in these trade area, the site location is not well suited for a full neighborhood retail center. Given the overall retail demand as well as the affluence of surrounding residential communities, a small 5,000 to 10,000 square foot specialty/convenience center could be appropriate as part of the mix of uses on this large site.

White/Quimby Site

This site is well-positioned to be modernized or reused as a 90,000 to 100,000 square foot contemporary neighborhood retail center, anchored by a traditional 50,000 square foot grocery store. Market support for the grocery store would come from surrounding Local Trade Areas lacking sufficient support on their own to support such a store, as well as enhanced sales from replacement of the current underperforming store.

This concept has been tested for financial feasibility in this report. In general, a mix of neighborhood retailing along with for-sale condominiums, will yield sufficient financial return to stimulate a feasible new development project.

Introduction

The Evergreen area, defined as east of Highway 101 and south of Story Road in San Jose, has many important assets, including strong neighborhoods, public schools, local opportunities for higher education (Evergreen Valley Community College), numerous small business enterprises, and natural resources such as parks and creeks.

In the past, several planning and policy efforts have been completed to guide land use and development in the Evergreen area. For example, Evergreen has experienced significant residential growth, facilitated by the Silver Creek Planned Residential Community, the Evergreen Specific Plan, and the Evergreen Development Policy. More recently, in 2001 and 2002 respectively, the City Council adopted the West Evergreen and KONA Strong Neighborhoods Initiative (SNI) Improvement Plans. These initiatives have laid a foundation for creating a new vision to direct infill development in Evergreen, consistent with Smart Growth principles.

Today, Evergreen has several major development opportunity sites with active property owners and developers. Rather than consider future land use changes on a piecemeal basis (e.g., General Plan changes and Evergreen Development Policy modifications), these and other key property owners agreed to participate in a comprehensive Evergreen Vision Strategy planning process. The Strategy's objectives include:

- Determine a community-based vision to guide future development in Evergreen, including a clear concept of the future character of the area.

- Identify potential General Plan land use changes and design guidelines to reflect the vision.

- Determine transportation improvements needed to support the level and type of envisioned development.

- Identify other community investments needed to reflect the vision.

Purpose of the Evergreen Retail Study

The purpose of this report is to analyze the market potential and development feasibility of new retail development in the Evergreen Area. This analysis, commissioned in support of the Evergreen planning process, focuses on retail opportunities for both local-serving and regional/lifestyle facilities at five key opportunity sites including:

- Arcadia Site
- Evergreen Community College Site
- Pleasant Hills Golf Course
- The "Industrial" Properties
- White/Quimby Site

As part of the larger Evergreen East Hills Vision Strategy, the City of San Jose commissioned this report to provide an in-depth look at market and financial feasibility of retail opportunities in the area. Retail is a key component of the Evergreen vision because appropriately-located and sufficient amounts of contemporary retail land uses should be integrated into the community to serve existing and future residents and workers of the area. Retail offers the opportunity for an enhanced quality of life, the potential to encourage pedestrian activity, and options for reducing automobile trips (and resulting traffic congestion) outside of the area to meet shopping needs. Retail also provides much-needed support to the fiscal vitality of the City of San Jose.

One of the primary challenges in planning for future retail development in a smart growth context is to create a physical and market vision that combines walkable, integrated community design with the market realities of the retail industry and its requirements. This report provides key data and recommendations to guide retail type and placement in Evergreen.

Report Structure

This report begins by describing the analytical methodologies used for the study. Next, the report provides an overview of Evergreen and San José's demographic and retail trends. A summary of the market "leakage" analysis is presented, along with concrete findings for supportable square feet by store type for each of the opportunity sites. The report then assesses financial feasibility of a hypothetical development project with retail space for two of the opportunity sites (White & Quimby and Arcadia), in keeping with current economic conditions in San Jose. The report concludes with a series of recommended next steps to integrate retail into the overall Evergreen planning effort.

Retail Definitions

To assist in understanding the terminology used in this report, the following provides general definitions of various types of retail centers:

- **Neighborhood Centers.** Typically, this type of center is anchored by a grocery store and a drug store, along with smaller "shop tenants," and may also have a separate auto-oriented pad or two on the corner. This type of center is typically 65,000 to 100,000 square feet. A Neighborhood Center needs good access off of city streets, and is typically located at an intersection of major arterials. This type of center serves the immediate one to two mile neighborhood, and does not need regional access. In fact, a good developer would place the Neighborhood Center as close to residential areas as possible to facilitate the weekly or twice weekly shopping pattern for a grocery store.

- **Lifestyle Centers.** Lifestyle centers are an evolving concept. They come in a variety of shapes and sizes, but nearly all are open-air and provide places to dine, socialize and go for entertainment. Developers of lifestyle centers have tended to pay close attention to good design, using interesting architectural features, high quality building materials, a mix of retail and non-retail uses, and an attractive pedestrian environment. The tenant mix in lifestyle centers emphasizes specialty retail over department store anchors and tends to cater to an upper income demographic profile. These centers can offer the benefits of lower development and operational costs vis-à-vis retail malls to developers; strong retail sales to tenants; and good design and efficient use of limited land resources to communities.

Overview of San Jose's Retail

San José, with a population of approximately 900,000 in 2003, had total taxable sales of approximately $7.5 billion. Although San José's per capita taxable retail sales of $8,111 was slightly below the state average of $8,992 in that year, it is substantially below the combined San Mateo/Santa Clara Counties average of $9,971, indicating the potential for increased retail development across the city.

Much of the City's retail development reflects traditional retailing patterns, with downtown storefronts, smaller shopping centers, and neighborhood business districts reflecting this traditional shopping pattern. While many of these traditional retailing nodes are thriving, others are experiencing change as demographic patterns shift and continued redevelopment occurs in and around the city including downtown San José. This redevelopment activity can be seen at almost all of the city's regional malls, including, Eastridge, Oakridge, and Valley Fair. The owners of these malls are attempting to take advantage of San Jose's changing demographics and hope that the expansion/remodeling of their centers will help to create larger super-regional destinations to capitalize on the City's potential increased sales. With the recent opening of Santana Row, across the street from Valley Fair, this super regional destination has come to fruition.

In future years, it will be key for San José to maintain a mix and variety of retail centers and districts to meet shopper demands and provide space for changing tenants' business models. In many cities, full capture of potential sales depends on careful planning for sufficient and accessible land supply to maximize opportunities for attracting the widest range of store types seeking locations.

Retail Analysis Methodology

The analysis in this report is based on the San José Retail Model, which was prepared by Metrovation and BAE for the City of San Jose in a prior study[6]. The Evergreen Area Retail Analysis utilizes the Model with Local Trade Areas (LTAs) customized for this report, reflecting the on-the-ground realities of neighborhoods, current and future development patterns, and transportation access.

Overview of Market Analysis Methodology

The methodology followed for the analysis in this report included the following steps:

- ***Document Current Demographic Conditions***
    - Analyze demographic data per 2000 Census Block Group (i.e., population and household density per acre, median age, median household income, educational attainment, and PRIZM categorization of buying power and clusters)
    - Analyze San José GIS database of residential and non-residential planned and proposed projects to forecast future market demand potential.

- ***Analyze Neighborhood Retail Categories***
    - Map the supply of local-serving anchors (grocery & drug) and shopping centers
    - Create customized local serving trade areas (LTAs) based on demographics, geographic barriers, and transportation access
    - Estimate potential demand for grocery, drug, and apparel stores for each LTA. Potential demand is estimated based on current and future housing growth and resulting new residents in Evergreen trade areas.
    - Subtract existing sales from potential sales (current and future)
    - Identify trade areas with unmet demand sufficient to support new grocery, drug, & apparel stores, which serve as critical anchors to traditional neighborhood shopping facilities.
    - Estimate supportable square feet of retail space on opportunity sites with identified unmet demand and suitable location factors.

- ***Analyze Region-Serving Destination Retail***
    - Estimate current demand from Evergreen and the regional trade area (RTA) incorporating Evergreen.
    - Subtract existing sales in RTA from potential sales (current and future demand).

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[6] The Model is a Geographic Information (GIS) based tool that has been developed to test market support for different types of retail stores by neighborhood trade area, as well as for the city as a whole. The consultant team chose to approach this analysis using GIS because this type of software can display data and findings on maps, providing a locational aspect to the information. GIS-based maps are very useful in a variety of retail-related development activities, from marketing sites to profiling neighborhood demographics at-a-glance to testing spatial distributions. The Retail Model has been developed with these uses in mind, and has been structured to allow for a wide range of applications beyond the analysis described in this report.

- Identify support for new region-serving stores in apparel, books, home furnishings, consumer electronics, home improvements, restaurants, pet stores, and sporting good stores.
- Develop estimates of supportable retail space for these store categories at appropriate opportunity sites.

Key Assumptions

The following key assumptions were incorporated into the market analysis:

- Current retail sales are based on BAE's analysis of confidential store-by-store taxable sales data. Generally, BAE has defined categories using California Board of Equalization summary tables and business codes. For food stores, the California State Board of Equalization (SBOE) Table 5 definitions include supermarkets, groceries, and specialty food outlets. GIS analysis was used to determine the volume of taxable sales for each trade area for each store type.
- Potential retail sales demand estimates are based on annual per capita sales for San Mateo/Santa Clara Counties applied to the populations of each trade area. This approach recognizes the strong household income levels and high wage rates of Evergreen, which match this larger geography. The larger geography, therefore, serves as a benchmark of potential spending by Evergreen and surrounding neighborhood households that can occur if sufficient contemporary retail facilities are located within the Everegreen Vision Strategy area.
- In order to further refine the potential sales estimates, the analysis uses a high and low income household adjustment, because both affluent and low income households are assumed to have spending patterns that diverge from average spending patterns. Based on the 2001 and 2002 BLS *Consumer Expenditure Survey,* potential spending for High Income households have been adjusted up for households with income over $150,000 (the top 20 percent of households), and adjusted downward for households with income under $25,000.
- BAE estimated the percentage of potential sales that can reasonably be captured in the trade area at 90 percent of grocery store sales and 80 percent of drug store sales. This adjustment reflects the pattern that no single trade area can typically achieve 100 percent capture of potential sales, as some sales will always occur outside of the trade area (e.g., at place of work, on vacation, etc.).
- To estimate supportable square feet of new grocery and drug stores, BAE assumed taxable sales per square foot comparable to ULI's *Dollars & Cents of Shopping Centers: 2004* Western Regional Median Sales per GLA for Supermarket and Drug stores.
- BAE has assumed only one-third of food store sales and two-thirds of drug store sales are taxable. This means that the taxable retail sales reported for these store types have been expanded to appropriately account for non-taxable items, in order to best reflect the full magnitude of potential sales volumes and resulting supportable new retail space in these categories.

Definition of Trade Areas

This study uses a framework of Local Trade Areas (LTAs) and Regional Trade Area (RTA). The purpose of creating distinct types of trade areas is to match the typical retailing pattern of providing local-serving goods purchased daily or weekly (e.g., grocery and drug stores along with services such as dry cleaners and specialty stores such as gifts) in a roughly one mile radius, or local trade area (LTA) from the retail site. Similarly, for those goods that are offered in general merchandise, furniture, electronics, and some apparel stores, the shopper will typically travel further and shop less frequently, causing the trade area for these types of facilities to be regional.

To define Evergreen's Local Trade Area(s), the entire study area was carefully evaluated through extensive windshield surveys and analysis of major roadways and access points, along with analysis of current and future residential development. This analysis resulted in identification of six local trade areas (LTAs). These boundaries are delineated on Figure 1.

To assess the potential regional draw of anchors in a lifestyle center, the RTA was defined by similar windshield assessment, evaluation of current and future development patterns, and the sized to complement rather than compete directly with Eastridge. The resulting RTA definition and boundaries is shown on Figure 2.

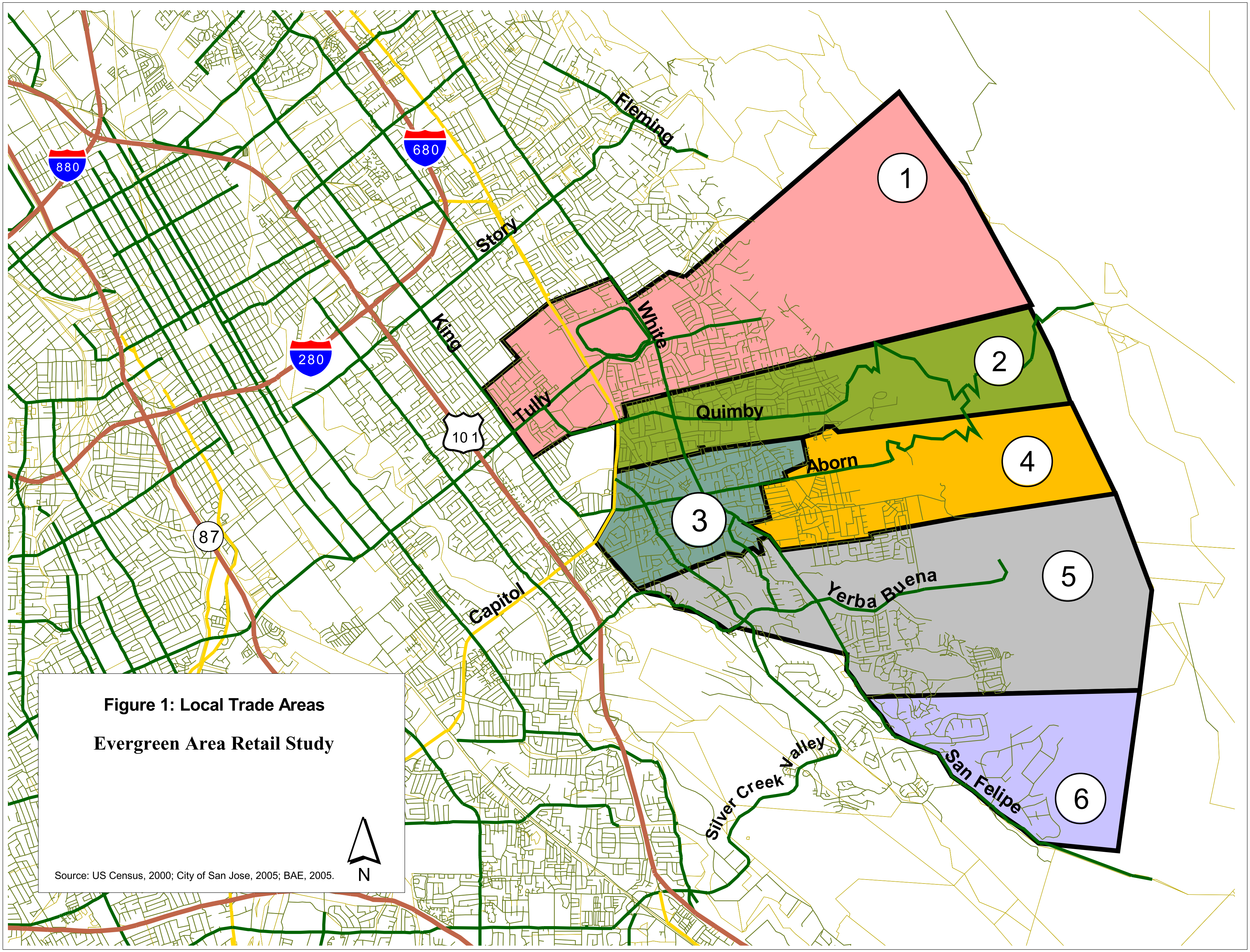

Figure 1: Local Trade Areas

Evergreen Area Retail Study

Source: US Census, 2000; City of San Jose, 2005; BAE, 2005.

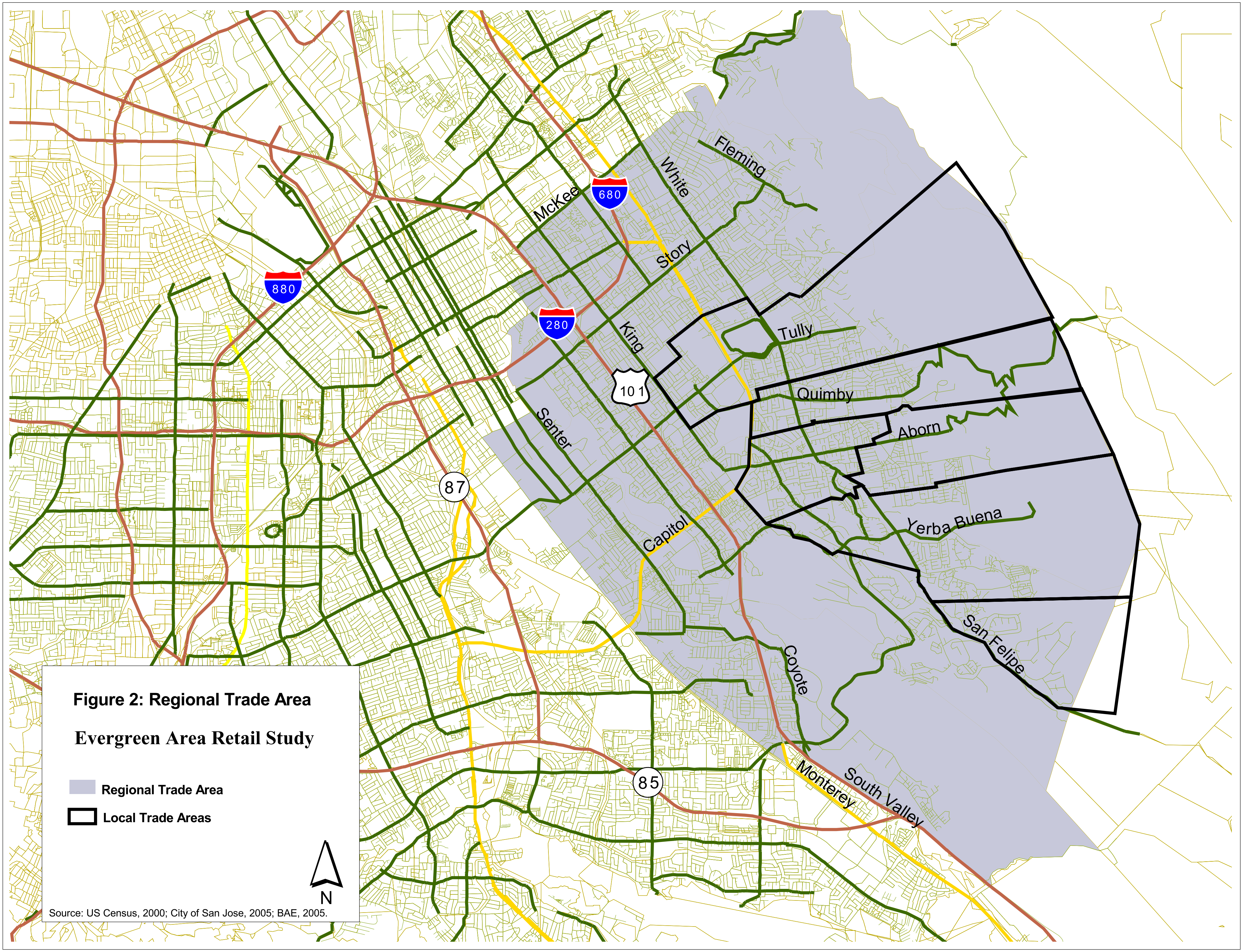
Figure 2: Regional Trade Area
Evergreen Area Retail Study
Regional Trade Area
Local Trade Areas
N
Source: US Census, 2000; City of San Jose, 2005; BAE, 2005.
880
680
280
101
87
85
McKee
White
Fleming
Story
King
Tully
Quimby
Aborn
Senter
Capitol
Yerba Buena
San Felipe
Coyote
Monterey
South Valley

Demographic Trends

Summary of Household Trends

Tables 1 through 5 on the following pages provide an overview of demographic trends describing Evergreen's local trade area relative to the regional trade area, San José and the nine county Bay Area region. In summary, the analysis indicates:

- In 2000, the Evergreen area had a population of 75,500 and the regional trade area had a population of 317,600. San José has grown rapidly in the past decade. Between 1990 and 2000, San José's population grew from 782,000 to almost 895,000, an increase of 1.4 percent per year (compounded). In comparison, Santa Clara County's population grew 1.2 percent per year, and the State's rose 1.3 percent per year.
- The Evergreen area has larger household sizes. In 2000, Evergreen's local trade area's average household size was 3.7 persons, and it was 4.1 in Evergreen's regional trade area. San José has relatively large and growing average household sizes. In 1990, San José's average household size was 3.08 persons, compared to 2.81 for the County, and 2.79 for the Bay Area. By 2000, San José's average size grew to 3.2 persons per household, compared to 2.7 for the Bay Area.
- A higher proportion of Evergreen households contain related individuals (i.e., families), than San José's or the region. In 2000, 85 percent of Evergreen local and regional trade area's households were related individuals, compared to just 74 percent in San José and 65 percent in the region.
- Evergreen has a very high homeownership rate compared to San José and the region. In 2000, Evergreen ownership rate was 85.3 percent, compared to the regional trade areas ownership rate of 69.1 percent, San José's ownership of 61.8 percent, and 57.8 percent for the Bay Area as a whole.
- Evergreen has a slightly younger population than the city of San José as a whole, but is comparable to the Bay Area region. In 2000, Evergreen's local trade area's median age was 33.6 years, compared to 32.7 for San José's and the higher number of 35.6 for the Bay Area. Evergreen has a high proportion of children and young adults than in the comparison geographies. The regional trade area of Evergreen has a median age of 28.7 due to a higher proportion of children and lower proportion of seniors.
- Household incomes for Evergreen indicate an affluent community. In 2004, Evergreen's estimated median household income was $110,194, while the estimated median household income in San José was lower, at $80,008 and the region's median was substantially lower at $71,626. Households in the regional trade area (but outside Evergreen) had median incomes estimated at $77,835.
- Evergreen has a high concentration of very affluent households. In 2004, an estimated 31.3 percent of Evergreen households earned more than $150,000, a particularly favorable finding relative to the City and the region, where just 18.2 percent and 16.6 percent of households

respectively fell in this income range. The regional trade area (but outside Evergreen) had an estimated 17.3 percent of households earned more than $150,000.

- Evergreen residents also have strong levels of educational attainment, although slightly fewer area residents have graduated college than in the region. About 36 percent of Evergreen residents have attained a bachelor's degree or higher, compared to 20 percent for the regional trade area, 32 percent of San José's residents and 37 percent of the region.
- Evergreen has a diverse ethnic composition, 45 percent Asian/Pacific Islander, 35 percent white and 20 percent mixed and other ethnicities. This compares to the RTA with 31 percent other, 31 percent white and 28 percent asian/pacific islander, San Jose with 47 percent white, 27 asian/pacific islander, and 16 percent other and the Bay Area 58 percent white, 20 percent asian/pacific islander and 9 percent other.

Lifestyle Factors

To augment the basic demographic findings above, the study also examined information prepared by Claritas, a private data vendor service. Since the 1970s, Claritas has created a categorization of lifestyle and shopping preferences, based on a complex model of several dozen variables. This information categorizes households by neighborhood type, social rank, household composition, mobility, ethnicity, urbanization, and housing type. The analytical system, called PRIZM, creates 62 types of households, which are also summarized into 15 broad categories, assisting retailers and marketers with better targeting of their merchandise.

Table 6 profiles the broad PRIZIM categories which Claritas identifies for the Evergreen study area. As shown, Evergreen has a very high proportion of the most affluent urban and suburban household types. For example, 81 percent of households are identified as among the nation's most wealthy urban consumers and other wealthy suburban shoppers, compared with 66 percent in the RTA. Other findings in the Evergreen study area include immigrants and descendants of multi-ancestries (representing 47 percent of all Evergreen households), followed by married couples with children, and large, 4+ person families and "Executive Suburban Families" (18 and 13 percent respectively). In the regional trade area immigrants and descendants of multi-ancestries represent 46 percent of all households.

Table 1: Population and Household Trends, Evergreen and Comparison Areas, 2000

		Population	Households	Avg. Household Size	Household Type (a)		Household Tenure (a)	
					Families	Non-Families	Renters	Owners
Local Trade Areas	1	23,716	5,466	4.3	90.3%	9.7%	17.2%	82.8%
	2	13,886	3,438	4.0	90.4%	9.6%	13.6%	86.4%
	3	18,228	4,550	4.0	87.6%	12.4%	22.4%	77.6%
	4	5,129	1,427	3.6	92.1%	7.9%	3.8%	96.2%
	5	10,966	4,191	2.6	70.7%	29.3%	11.1%	88.9%
	6	3,523	1,346	2.6	78.5%	21.5%	4.2%	95.8%
	Total	**75,448**	**20,418**	**3.7**	**85.1%**	**14.9%**	**14.7%**	**85.3%**
Regional Trade Area		317,589	76,979	4.1	84.5%	15.5%	30.9%	69.1%
San José		894,943	276,598	3.2	73.6%	26.4%	38.7%	61.3%
Bay Area (b)		7,039,362	2,557,158	2.7	64.6%	35.4%	42.2%	57.8%

Sources: U.S Census, 2000; BAE, 2005.

(a) Household data for Local Trade Area from best fitting census block groups. Totals will vary from actual population of LTA.
(b) Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties.

Table 2: Age Distribution, 2000

Age	Local Trade Area (a) Persons	Local Trade Area (a) % of Total	Regional Trade Area Persons	Regional Trade Area Percent of % of Total	San José Persons	San José % of Total	Bay Area (a) Persons	Bay Area (a) % of Total
Under 18	22,254	27.7%	95,410	30.0%	236,124	26.4%	1,601,858	23.6%
18-24	6,825	8.5%	35,256	11.1%	88,947	9.9%	595,173	8.8%
25-34	11,693	14.5%	53,814	16.9%	160,945	18.0%	1,120,919	16.5%
35-44	14,424	17.9%	52,416	16.5%	155,751	17.4%	1,172,570	17.3%
45-54	11,227	14.0%	36,294	11.4%	111,383	12.4%	964,638	14.2%
55-64	6,405	8.0%	21,039	6.6%	67,933	7.6%	571,095	8.4%
65+	7,554	9.4%	23,658	7.4%	73,860	8.3%	757,507	11.2%
Total	**80,382**	**100%**	**317,887**	**100.0%**	**894,943**	**100%**	**6,783,760**	**100%**
Median Age	**33.6**		**28.7**		**32.7**		**35.6**	

Notes:
(a) Local Trade Area data from best fitting census block groups. Total will vary from actual population of LTA.
(b) Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties.

Sources: 2000 U.S. Census, BAE, 2003.

Table 3: Household Income Distribution, 2004

Estimated 2004 Household Income	Local Trade Area 1	2	3	4	5	6	Total	Regional Trade Area (a)	City of San Jose	Bay Area (b
Under $15,000	4.3%	2.9%	2.9%	0.9%	3.7%	5.5%	3.5%	6.6%	7.2%	9.0%
$15,000 to $24,999	3.4%	2.6%	2.5%	0.6%	3.5%	6.2%	3.2%	6.0%	5.5%	6.6%
$25,000 to $34,999	3.9%	1.2%	4.1%	2.0%	2.8%	5.1%	3.4%	7.1%	6.5%	7.6%
$35,000 to $49,999	6.4%	4.0%	6.6%	2.6%	4.3%	9.7%	5.9%	9.9%	10.1%	11.4%
$50,000 to $74,999	15.2%	12.3%	17.1%	5.2%	12.4%	16.2%	14.2%	18.5%	17.6%	17.8%
$75,000 to $99,999	17.6%	18.8%	20.2%	7.8%	8.9%	12.2%	15.0%	16.0%	15.8%	14.6%
$100,000 to $149,999	26.9%	26.3%	29.0%	19.2%	18.2%	16.9%	23.5%	18.5%	19.2%	16.4%
$150,000 or more	22.3%	32.0%	17.6%	61.7%	46.2%	28.3%	31.3%	17.3%	18.2%	16.6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
2004 Median Household Income	**$98,889**	**$107,988**	**$95,738**	**$178,870**	**$139,604**	**$90,132**	**$110,194**	**$77,835**	**$80,008**	**$71,626**

Notes:
(a) Outside of Evergreen Local Trade Area.
(b) Nine county Bay Area comprises Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties.

Sources: Claritas, Inc; BAE, 2005.

Table 4: Educational Attainment, 2000

	Local Trade Area		Regional Trade Area		City of San Jose		Bay Area (a)	
Adult Population Age 25 Years and Over	**Persons**	**% of Total**	**Persons**	**% of Total**	**Persons**	**% of Total**	**Persons**	**% of Total**
No High School Diploma	9,079	17.7%	64,602	34.5%	123,684	21.7%	737,977	16.0%
High School Graduate (incl. equivalency)	8,190	16.0%	36,249	19.4%	103,529	18.1%	813,743	17.7%
Some College, No Degree	10,889	21.2%	35,857	19.2%	119,200	20.9%	997,910	21.7%
Associate's Degree	4,510	8.8%	12,800	6.8%	44,220	7.7%	331,143	7.2%
Bachelor's Degree	12,541	24.4%	26,782	14.3%	118,948	20.8%	1,068,649	23.2%
Graduate Degree or Higher	6,094	11.9%	10,931	5.8%	61,174	10.7%	649,767	14.1%
Total	**51,303**	**100%**	**187,221**	**100.0%**	**570,755**	**100%**	**4,599,189**	**100%**

Notes:
(a) Nine county Bay Area comprises Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties.

Sources: 2000 Census, BAE 2005.

Table 5: Evergreen Residents by Ethnicity

Population by Ethnicity	Local Trade Area		Regional Trade Area (a)		City of San Jose		Bay Area (a)	
	Number	%	Number	%	Number	%	Number	%
Population of one race								
White	28,171	35%	72,399	31%	425,017	47%	3,941,687	58%
Black or African American	3,277	4%	8,758	4%	31,349	4%	511,084	8%
American Indian/Alaska Native	420	1%	2,524	1%	6,865	1%	43,529	1%
Asian/Pacific Islander	36,488	45%	67,346	28%	243,959	27%	1,326,166	20%
Other	8,407	10%	73,798	31%	142,691	16%	627,004	9%
Total one race	**76,763**	**96%**	**224,825**	**95%**	**849,881**	**95%**	**6,449,470**	**95%**
Population of two or more races								
White; Some other race	918	1%	6,063	3%	17,878	2%	109,051	2%
Asian; Some other race	493	1%	1,325	1%	3,468	0%	19,065	0%
Other two or more races	2,156	3%	5,046	2%	23,716	3%	206,174	3%
Total two or more races	**3,344**	**4%**	**11,767**	**5%**	**42,420**	**5%**	**309,636**	**5%**
Total Population	**80,330**		**237,259**		**894,943**		**6,783,760**	

Notes:
(a) Local Trade Area data from best fitting census block groups. Total will vary from actual population of LTA.
(b) Nine county Bay Area comprises Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties.

Sources: 2000 Census, BAE 2005.

Table 6: Evergreen Geodemographics

PRIZM Groups

	Local Trade Area		Regional Trade Area	
U1	17,367	47%	36,561	46%
U2	3,706	10%	19,923	25%
S1	12,538	34%	16,289	20%
S2	-	0%	3,267	4%
T1	2,611	7%	2,611	3%
C1	986	3%	986	1%
	37,208		**79,638**	

S1 Elite Suburbs (Blue Blood Estates+Winner's Circle+Executive Suites+Pools & Patios+Kids & Cul-De-Sacs)
U1 Urban Uptown (Urban Gold Coast+Money & Brains+Young Literati+American Dreams+Bohemian Mix)
C1 2nd City Society (Second City Elite+Upward Bound+Gray Power)
T1 Landed Gentry (Country Squires+God's Country+ Big Fish, Small Pond+Greenbelt Families)
S2 The Affluentials (Young Influentials+New Empty Nests+Boomer's & Babies+Suburban Sprawl+Blue-chip Blues)
U2 Urban Midscale (Urban Achievers+Big City Blend+Old Yankee Rows+Mid-city Mix+Latino America)

PRIZM Clusters

		Local Trade Area		Regional Trade Area	
American Dreams	U1	17,367	47%	36,561	46%
Latino America	U2	2,118	6%	12,201	15%
Kids & Cul-De-Sacs	S1	6,787	18%	9,301	12%
Big City Blend	U2	609	2%	5,982	
Winner's Circle	S1	4,691	13%	5,143	6%
God's Country	T1	2,611	7%	2,611	3%
Blue-chip Blues	S2	-	0%	1,879	2%
Old Yankee Rows	U2	633	2%	1,394	2%
Suburban Sprawl	S2	-	0%	1,074	1%
Pools & Patios	S1	613	2%	996	1%
Gray Power	C1	986	3%	986	1%
Blue Blood Estates	S1	447	1%	849	1%
Urban Achievers	U2	346	1%	346	0%
New Empty Nests	S2	-	0%	314	0%
		37,208		**79,637**	

Source: Claritas, Bay Area Ecomomics, 2005.

Future Growth in Evergreen Trade Areas

Development Since 2000
Table 7 shows Evergreen's residential projects in the development pipeline from 2001 to the present, which are added to the 2000 Census count of households to bring current potential demand up to date. Planning permits have been issued on 3,029 new units, and as of November 2004, 1,843 of these units have been built. The majority of the new units are upscale single-family homes that will likely attract high income households to Evergreen.

As shown on Table 8, Evergreen's regional trade area has had an additional 4,542 units approved since 2001. As of November 2004, 2,959 of these units had been built. Approximately 56 percent of these units are multifamily units. Given the sales price of new single-family homes, townhomes and condos, many of the for-sale units will likely attract high income households.

Evergreen Visioning Strategy Proposed Development
Potential development expected to occur as part of the Evergreen Vision Strategy is shown on Table 9. Based on preliminary discussions, a range of 3,450 to 5,600 additional new housing units are proposed on the opportunity sites and throughout the Evergreen area. City of San Jose staff have indicated that approximately 500 new units are expected in Evergreen beyond the opportunity sites. For purposes of this analysis, it has been assumed that this scattered site development is spread equally between LTAs 1 through 5.

Implications for Retail Demand

These summary demographic profiles suggest a strong marketplace for new potential retailers. Key indicators including population growth, household income, age, and homeownership all point to the formation of new households needing "big ticket" items such as automobiles, home furnishings, and building materials, as well as daily/weekly purchases such as groceries and restaurant meals. Other items meeting the needs of families with children (e.g., toys, school supplies, children's apparel and shoes), and items aimed at the large daytime working population (e.g., restaurants, convenience goods) should also be in strong demand. With the relatively high educational levels of Evergreen residents, items such as books, recreation/travel, and specialty retail goods should also be highly strongly demanded.

Table 7: Evergreen Residential Projects 2001 to Present

Local Trade Area	Project Name	Units Total	Units Built (a)	Unit Type	Acres	Status	Date
1	Santa Clara Development	7	7	SF	4.6	Completed	2004
1	Santa Clara Development	38	26	SF	6.1	Completed	2004
	Subtotal	**45**	**33**				
2	Citation Homes	45	45	SF	14.4	Completed	2003
2	N/A	6	6	SF	6.8	Completed	2004
2	N/A	37	37	SF	4.7	Completed	2004
2	Silverbridge at Meadowlands	28	28	SF	11.0	Completed	2001
2	Woodbridge	155	120	SF	20.8	Completed	2004
	Subtotal	**271**	**236**				
3	Braddock & Logan	9	9	SF	1.6	Completed	2001
3	Louis Baldacci	15	15	SF	2.2	Completed	2001
	Subtotal	**24**	**24**				
4	Enchantment/Wisteria	514	51	SF	115.0	Completed	2004
4	Evergreen Hills	399	205	SF	73.9	Completed	2004
4	Jasmine Heights Condos	177	87	MF	12.6	Completed	2004
4	Lands of Borello	53	53	SF	29.2	Completed	2004
4	Mirassou (Larwin)	8	8	SF	4.2	Completed	2001
4	Mirassou (Standard Pacific)	7	7	SF	1.2	Completed	2001
4	Orchard Heights	136	42	SF	32.8	Under Construction	2004
4	Pueblo Villas	7	7	SF	2.1	Completed	2004
4	Shapell Industries	68	68	SF	8.8	Completed	2001
4	Shapell Industries	49	17	SF	21.9	Completed	2004
4	Standard Pacific	17	17	SF	4.4	Completed	2001
4	Summerhill Area E	72	72	SF	9.9	Completed	2002
4	The Classics Townhomes	330	257	SF	48.1	Under Construction	2004
4	Vineyard Park Condos	107	107	MF	6.2	Completed	2004
4	Vintage Homes	136	113	SF	34.6	Completed	2004
	Subtotal	**2,080**	**1,111**				
5	Braddock & Logan	43	3	SF	19.3	Completed	2004
5	BridgePoint Senior Apts	119	119	MF	8.5	Completed	2004
5	Deer Isle Drive	11	11	SF	4.1	Completed	2001
5	Madison/Kenwood Estates	140	140	SF	36.4	Completed	2004
5	Pulte Homes	32	32	SF	9.6	Completed	2004
5	Silver Oak Estates	17	17	SF	13.5	Completed	2001
5	Villagio	79	79	MF	2.2	Completed	2004
5	Montecito	10	10	SF	6.4	Completed	2001
5	Ryland Summit	148	18	SF	114.6	Completed	2004
	Subtotal	**599**	**429**				
6	Lands of Stadtmiller	10	10	SF	6.4	Completed	2001
	Subtotal	**10**	**10**				
	GRAND TOTAL	**3,029**	**1,843**				

Notes:
(a) Built as of November 2004.

Source: City of San José, Bay Area Economics, 2005.

Table 8: Residential Projects in Evergreen and the Surrounding Areas - 2001 to Present

Project Name	Units Total	Units Built (a)	Unit Type	Acres	Status	Date
Bel Aire	233	99	SF	215.5	Completed	2004
Blackwell Housing	75	0	MF	1.2	Approved	2004
Braddock & Logan	12	12	SF	4.7	Completed	2002
County Fairgrounds Housing	544	0	SF/MF	12.6	Approved	2004
DKB Homes	40	40	SF	3.1	Completed	2001
Eden Housing	15	0	MF	0.4	Approved	2003
Foothills Mobilodge	9	9	SF	6.0	Completed	2002
Fowle Homes	2	2	SF	0.5	Completed	2002
Gadberry Senior Apts	55	55	MF	1.1	Completed	2004
HomeSafe Apts	25	25	MF	1.0	Completed	2004
Jackson Square	159	0	MF	1.9	Under Construction	2004
Lands of Zoria	69	69	SF	6.8	Completed	2001
Las Golondrinas Senior Apts	50	50	MF	1.3	Completed	2002
Las Mariposas Condos	66	66	MF	2.7	Under Construction	2004
Lucretia and Owsley	15	15	SF	0.9	Completed	2002
Madden Townhomes	32	32	MF	1.0	Completed	2002
Markham Plaza Apts	305	305	MF	2.9	Completed	2004
Meadow Lane	15	15	SF	2.0	Completed	2001
Metcalf Road Housing	213	0	SF	34.2	Approved	2004
Monte Vista Apts	262	262	MF	9.5	Completed	2004
N/A	5	0	SF	0.5	Approved	
N/A	3	0	SF	0.8	Approved	2004
N/A	6	0	SF	0.5	Approved	2004
N/A	2	2	SF	0.9	Completed	2003
N/A	31	31	MF	1.1	Completed	2003
N/A	5	5	SF	1.6	Completed	2004
N/A	30	30	SF	3.6	Completed	2004
N/A	61	61	MF	1.8	Completed	2004
N/A	6	6	SF	0.8	Completed	2004
North White Road Housing	12	12	MF	0.6	Completed	2003
Northview Village	10	10	SF	0.7	Completed	2001
Oak Circle Senior/Villa Solera Apts	200	200	MF	5.8	Completed	2004
Oak Tree Village Apts	175	175	MF	6.8	Under Construction	2004
Pacific Diversified	13	4	SF	4.7	Completed	2004
Pamela Apts	4	4	MF	0.2	Completed	2004
Paseo Senter Family Apts	218	0	MF	5.7	Approved	2004
Pinn Bros	84	16	SF	15.7	Completed	2004
Pollard Plaza Apts	130	130	MF	1.8	Completed	2004
Ponderosa Highlands	179	173	SF	62.2	Completed	2004
Ranch on Silver Creek	538	524	SF	579.5	Under Construction	2004
Roberts Housing	16	16	SF	1.5	Completed	2002
Roem Development	16	16	SF	1.5	Under Construction	2004
Rose Garden Senior Apts	66	66	MF	1.3	Completed	2004
Russo Court Townhomes	21	0	MF	1.0	Approved	2004
Ryland Centerpoint	45	45	SF	4.3	Completed	2001
Ryland Homes	27	19	SF	4.9	Completed	2004
Santa Clara Development	6	6	SF	3.0	Completed	2004
Sorrento Cheese Site	77	0	SF	6.7	Approved	2004
Summer Breeze Apts	160	160	MF	2.5	Completed	2004
Summerhill Homes	72	64	SF	8.8	Completed	2001
Tamara Homes	3	3	SF	0.2	Under Construction	2002
Tierra Encantada Apts	93	93	MF	2.4	Under Construction	2004
Wall Street	24	24	SF	1.7	Completed	2001
Wang Apts	8	8	MF	0.3	Completed	2001
Subtotal	*4,542*	*2,959*				
Local Trade Areas (see Table 6)	3,029	1,843				
GRAND TOTAL	**7,571**	**4,802**				

Notes:
(a) Built as of November 2004.

Source: City of San José, Bay Area Economics, 2005.

Table 9: Evergreen Area Retail Study Projected Development

Opportunity Site	Local Trade Area	Projected Development Low	Projected Development Hi
Pleasant Hills Golf Course	1	300	800
Arcadia Site	2	1,800	2,000
Industrial Sites	4 & 5	700	1,800
Evergreen College	5	150	500

Local Trade Area	Planned & Proposed (a)	Total Future Development (b) Low	Total Future Development (b) Hi
1	12	412	912
2	35	1,935	2,135
3	0	100	100
4	969	1,769	2,869
5	170	420	770
6	0	-	-
	1,186	**4,636**	**6,786**

Notes:
(a) Includes the buildout of the planned and proposed projects in Table 6
(b) Includes 500 units of growth not on opportunity sites envisioned in th Evergreen Vision Strategy.

Current Evergreen Retail Sales

This section provides an overview of taxable retail sales trends for Evergreen and San José.

Detailed Trends for Evergreen

Table 10 profiles recent sales trends occurring in Evergreen, drawn from an analysis of store-by-store sales information obtained through special arrangement with the State Board of Equalization. These data are not available to the consultant team at the State level, so the analysis is limited to local trends over time. These data are not inflation-adjusted, due to the short time period they portray.

Sales Trends in Evergreen

- Total taxable retail sales in the Evergreen Study area increased 6.8 percent from 2001 to 2003, despite the economic slowdown in the Bay Area. Despite this positive finding, there was some variability among specific categories of goods.

- Taxable retail sales grew in General Merchandise (includes department and discount stores like Target, and drugstores like Walgreen's). Taxable retail sales also grew for the grocery store category.

- Substantial growth occurred in automotive-related sales (almost a 50 percent increase during the two-year period), reflecting the addition of a major new dealership to the area.

- Sales declined in the categories of apparel, specialty retail, restaurants, home furnishings/appliances, building materials, and "other". Most of these categories tend to slow down during economic decline periods.

- In 2003, General Merchandise sales were the largest category, comprising 28.1 percent of all Evergreen taxable retail sales. Automotive was the second-largest category, with 25.5 percent of taxable retail sales. Apparel and Specialty Retail comprised about 12.6 percent each, of total sales, and Restaurants were approximately 12.4 percent of the total. Grocery (Food) Stores comprise 8.9 percent of total Evergreen taxable sales. Relatively small sectors included Building Materials and Home Furnishings/Appliances, with 4.8 and 4.1 percent of sales, respectively. Other retail sales comprised 3.7 percent of Evergreen sales.

Evergreen Leakage of Retail Sales

A leakage analysis of the Evergreen regional trade area conducted for this study is summarized in Table 11. To account for potential sales opportunities that could be captured in Evergreen, the analysis utilizes San Joes's 2003 sales per capita spending as a benchmark. The analysis indicated that per capita annual sales were $3,800 (see Table 11 for breakdown of sales by retail category). When compared to San Jose's overall per capita sales pattern for the same time period, the data

Table 10: Evergreen Regional Taxable Retail Sales Trends, 2001 through 3rd Quarter 2004

Not adjusted for inflation

	2001 Sales	2002 Sales	2003 Sales	Partial 2004 Sales	% Change 2001-2003	
Apparel						
Women's Apparel	18,417,000	17,019,300	17,672,100	12,681,700	-4.0%	1.4%
Men's Apparel	7,117,600	6,598,200	4,920,900	2,893,000	-30.9%	0.4%
Family Apparel	17,840,100	15,138,300	14,505,100	8,751,600	-18.7%	1.2%
Shoes	18,381,400	17,099,500	14,632,500	9,628,300	-20.4%	1.2%
Total	**61,756,100**	**55,855,300**	**51,730,600**	**33,954,600**	**-16.2%**	4.2%
General Merchandise/Drug Stores						
General Merchandise Stores	277,072,200	298,590,700	303,743,700	219,711,400	9.6%	24.9%
Drug Stores	42,028,900	40,714,100	38,946,600	28,628,300	-7.3%	3.2%
Total	**319,101,100**	**339,304,800**	**342,690,300**	**248,339,700**	**7.4%**	28.1%
Specialty Goods						
Gifts, Art Goods, and Novelties	7,238,400	8,023,000	7,897,500	5,050,400	9.1%	0.6%
Sporting Goods	11,063,600	11,092,900	10,106,100	7,494,900	-8.7%	0.8%
Florists	1,254,300	993,100	831,400	576,500	-33.7%	0.1%
Photographic Equipment and Supplies	4,112,600	3,541,200	2,744,000	1,540,500	-33.3%	0.2%
Musical Instruments	268,500	711,000	643,600	443,700	139.7%	0.1%
Stationery and Books	8,201,700	7,203,200	6,210,800	4,126,400	-24.3%	0.5%
Jewelry	15,266,100	13,540,300	13,365,900	8,837,500	-12.4%	1.1%
Office, Store and School Supplies	10,590,500	9,499,100	10,667,300	7,472,300	0.7%	0.9%
Other Specialties	47,315,900	47,476,700	49,551,800	34,293,600	4.7%	4.1%
Total	**105,311,600**	**102,080,500**	**102,018,400**	**69,835,800**	**-3.1%**	8.4%
Grocery Stores						
Food Stores Selling All Types of Liquor	53,241,000	56,573,900	60,133,600	43,456,500	12.9%	4.9%
All Other Food Stores	49,159,900	48,573,200	47,963,500	36,893,400	-2.4%	3.9%
Total	**102,400,900**	**105,147,100**	**108,097,100**	**80,349,900**	**5.6%**	8.9%
Restaurants						
Eating Places: No Alcoholic Beverages	89,684,600	89,647,500	88,723,400	69,358,200	-1.1%	7.3%
Eating Places: Beer and Wine	54,433,900	54,401,000	53,754,900	39,452,200	-1.2%	4.4%
Eating and Drinking: All Types of Liquor	9,721,200	9,066,700	8,868,300	6,889,900	-8.8%	0.7%
Total	**153,839,700**	**153,115,200**	**151,346,600**	**115,700,300**	**-1.6%**	12.4%
Home Furnishings & Appliances						
Household and Home Furnishings	22,447,400	18,241,200	15,790,900	11,620,500	-29.7%	1.3%
Household Appliance Dealers	41,152,800	38,518,300	33,792,600	22,582,200	-17.9%	2.8%
Total	**63,600,200**	**56,759,500**	**49,583,500**	**34,202,700**	**-22.0%**	4.1%
Building Materials						
Lumber and Building Materials	25,579,200	23,504,000	18,895,500	15,356,900	-26.1%	1.5%
Hardware Stores	34,502,700	32,692,500	31,603,200	25,266,300	-8.4%	2.6%
Plumbing and Electrical Supplies	902,600	883,300	1,669,200	1,358,100	84.9%	0.1%
Paint, Glass, and Wallpaper	6,156,600	6,356,700	6,088,900	4,978,200	-1.1%	0.5%
Total	**67,141,100**	**63,436,500**	**58,256,800**	**46,959,500**	**-13.2%**	4.8%
Autotmotive						
New Motor Vehicle Dealers	18,973,400	21,457,100	77,238,900	64,169,200	307.1%	6.3%
Used Motor Vehicle Dealers	1,929,000	1,907,500	2,804,900	2,603,300	45.4%	0.2%
Automotive Supplies and Parts	44,145,900	43,153,600	46,819,300	34,644,300	6.1%	3.8%
Service Stations	144,565,200	146,504,000	183,735,900	157,215,600	27.1%	15.1%
Total	**209,613,500**	**213,022,200**	**310,599,000**	**258,632,400**	**48.2%**	25.5%
Other						
Packaged Liquor Stores	19,876,200	18,903,100	17,382,000	11,344,100	-12.5%	1.4%
Second-hand Merchandise	181,100	97,500	790,100	792,300	336.3%	0.1%
Farm Implement Dealers	14,360,100	7,234,300	7,499,300	5,758,100	-47.8%	0.6%
Farm and Garden Supply Stores	3,539,800	3,927,700	3,889,100	2,583,900	9.9%	0.3%
Fuel and Ice Dealers	165,800	163,000	167,600	82,200	1.1%	0.0%
Mobile Homes, Trailers, and Campers	12,713,500	13,294,200	9,254,900	7,440,000	-27.2%	0.8%
Boat, Motorcycle, and Plane Dealers	8,551,900	8,409,200	6,579,200	4,130,000	-23.1%	0.5%
Total	**59,388,400**	**52,029,000**	**45,562,200**	**32,130,600**	**-23.3%**	3.7%
Total All Retail Sales	**1,142,152,600**	**1,140,750,100**	**1,219,884,500**	**920,105,500**	**6.8%**	100.0%

Sources: City of San José, MBIA, State Board of Equalization, Bay Area Economics, 2005.

Table 11: Evergreen Leakage Analysis by Retail Sector, 2003

Outlets	San José (a)	Evergreen (a)	Per Capita San José Sales (a)	Per Capita Evergreen Sales (a)	Evergreen Injection/ (Leakage)
Apparel:					
Women's apparel	$98,955	$17,672	$108	$56	-48%
Men's apparel	$34,250	$4,921	$37	$15	-58%
Family apparel	$248,084	$14,505	$270	$46	-83%
Shoes	$69,825	$14,633	$76	$46	-39%
Subtotal	***$451,113***	***$51,731***	***$491***	***$163***	***-67%***
General Merchandise:					
General merchandise stores	$887,882	$303,744	$966	$956	-1%
Drug stores	$151,154	$38,947	$164	$123	-25%
Subtotal	***$1,039,036***	***$342,690***	***$1,130***	***$1,078***	***-5%***
Specialty Stores:					
Gifts, art goods, and novelties	$42,521	$7,898	$46	$25	-46%
Sporting goods	$86,618	$10,106	$94	$32	-66%
Florists	$10,394	$831	$11	$3	-77%
Photo equip. and musical instruments	$48,795	$3,388	$53	$11	-80%
Stationery and books	$72,943	$6,211	$79	$20	-75%
Jewelry	$84,549	$13,366	$92	$42	-54%
Office, store and school supplies	$308,634	$10,667	$336	$34	-90%
Other specialties	$458,294	$49,552	$498	$156	-69%
Subtotal	***$1,112,747***	***$102,018***	***$1,210***	***$321***	***-73%***
Food Stores:					
Food stores selling all types of liquors	$268,113	$60,134	$292	$189	-35%
All other food stores	$146,425	$47,964	$159	$151	-5%
Subtotal	***$414,539***	***$108,097***	***$451***	***$340***	***-25%***
Eating and drinking:					
Eating places: no alcoholic beverages	$368,203	$88,723	$400	$279	-30%
Eating places: beer and wine	$306,695	$53,755	$334	$169	-49%
Eating and drinking: all types of liquor	$220,596	$8,868	$240	$28	-88%
Subtotal	***$895,494***	***$151,347***	***$974***	***$476***	***-51%***
Household/Home Furnishings:					
Household and home furnishings	$132,873	$15,791	$144	$50	-66%
Household appliance dealers	$267,992	$33,793	$291	$106	-64%
Subtotal	***$400,865***	***$49,584***	***$436***	***$156***	***-64%***
Building Materials:					
Lumber and building materials	$443,368	$18,896	$482	$59	-88%
Hardware stores	$99,975	$31,603	$109	$99	-9%
Paint, glass, wallpaper, plumbing & elec. Supplies	$37,730	$7,758	$41	$24	-41%
Subtotal	***$581,073***	***$58,257***	***$632***	***$183***	***-71%***
Automotive:					
New motor vehicle dealers	$1,226,651	$77,239	$1,334	$243	-82%
Used motor vehicle dealers	$68,974	$2,805	$75	$9	-88%
Automotive supplies and parts	$149,361	$46,819	$162	$147	-9%
Service stations	$767,478	$183,736	$835	$578	-31%
Subtotal	***$2,212,464***	***$310,599***	***$2,406***	***$977***	***-59%***
Other Retail:					
Packaged liquor stores	$51,219	$17,382	$56	$55	-2%
Second-hand merchandise	$10,189	$790	$11	$2	-78%
Farm Implements (b)	$31,428	$7,499	$34	$24	-31%
Farm & Garden	$20,094	$3,889	$22	$12	-44%
Fuel&ice, mobile home, trailer, camper, boat,	$8,715	$16,002	$9	$50	431%
Subtotal	***$121,646***	***$45,562***	***$132***	***$143***	***8%***
Retail Stores Total	**$7,228,977**	**$1,219,885**	**$7,861**	**$3,837**	**-51%**

Notes:
(a) San José population, 2003: 919,555
Evergreen regional trade area population, 2003: 317,887
(b) Farm implements have been combined to comply with disclosure rules for San José data.

Sources: State Board of Equalization, 2003; 2003 California Department of Finance; BAE, 2005.

indicates that the Evergreen regional trade area is capturing only about half of potential sales; with about half of potential sales leaking outside of the Evergreen trade area. Most retail store categories are underserved in Evergreen, with particularly high leakage in Building Materials, Specialty Retail, Apparel, Home Furnishings, and Automobiles.

Evergreen Existing Retail Supply

Table 12 profiles the existing supply of retail centers in the Evergreen Study Area. As shown, there are over 40 centers or retail clusters, ranging from the large Eastridge Mall to small un-named retail complexes with single stores or several small stores grouped together.

Most of the smaller center property owners were contacted for this study, but few would cooperate with the research, so little is known about their lease rates and occupancy patterns. Among the larger centers, vacancy rates are limited (zero to six percent), indicating a strong retailing environment in the study area and beyond (into the larger regional trade area).

Table 12: Existing Retail Centers in Evergreen Local and Regional Trade Areas

Name of Center Location Intersection	Year Opened	GLA	Vacancy Rate	Lease Rates	Lease Terms	Tenants/Comments
Local Trade Area						
Aborn Center Aborn & Silver Creek	n/a	n/a				Maxim Market
Aborn Square 1845 Aborn rd. Capitol Expwy & Aborn rd.	1974	132,000	n/a	n/a	n/a	Roth's IGA, Ross, Coffee Lovers, Office Depot, Bally's
Canyon Creek Plaza 5667 Silver Creek Valley rd At Beaumont Canyon Dr.	n/a	49,730	n/a	n/a	n/a	Cosentino's Market (25,000 sf), Blockbuster
Circuit City Quimby & Capitol Expwy	n/a	n/a	n/a	n/a	n/a	Circuit City
Eastridge Mall 2200 Tully rd Capitol Expwy & Tully	1971	1,130,000	2%	28/sf	NNN	Macy's, JC Penney, Sears (mall currently under redevelopment, 2/3 closed at this time)
Ethan Allen 101 & Flanigan	n/a	n/a	n/a	n/a	n/a	Ethan Allen
Evergreen Commons 2980 Capitol Expwy Tully & Capitol Expwy	2002	na	na	na	na	Albertson's, Mercedes Benz Dealership, Sav-On Drug, AT&T Wireless, Cold Stone, Panda Express, First American Title Insurance Company, Lovely Nails, Postal Annex, Starbucks, Togo's, Pure Beauty, Supercuts
Evergreen Marketplace 4750 San Felipe San Felipe & Yerba Buena	n/a	61,970	0%	$2.50 - $3.25	NNN	Longs Drugs, Score!, Pizzeria Andiamos, Wells Fargo, Pasta Pomodoro, Cold Stone, Radio Shack, Le Boulanger, Curves, Panda Express, McDonalds

Table 12: Existing Retail Centers in Evergreen Local and Regional Trade Areas

Name of Center Location Intersection	Year Opened	GLA	Vacancy Rate	Lease Rates	Lease Terms	Tenants/Comments
Evergreen Valley Plaza 3270 S. White rd. Aborn & White	n/a	99,246	na	na	na	Albertson's, Longs Drugs, Lee's Sandwiches, Beauty Salon, KFC, Pizza Restaurant, Blockbuster Video, Let's Jump Café, M&L Jewelry
Evergreen Village Square Fowler Road Ruby & Michelangelo	2004	160,000	6%	$2.50 - $3.50	NNN	Lunardi's, Peets Coffee, Marble Slab Creamery, Great Clips, some office. 7,000 sf restaurant vacancy is negotiable at $2.50 - $2.75 (have had a lot of interest but none that meet the landlord's requierements), 1,400 sf end cap vacancy $3.00 - $3.50.
Mi Pueblo Plaza Story & S. King	n/a	n/a	n/a	n/a	n/a	Mi Pueblo Food Center, Kragen, Century 21
Quimby Square Quimby & White	n/a	50,000	17%	2.00 - 2.50/sf	NNN	Kragen, 7-Eleven, Trine's Café, Quimby Cleaners, Pure Water, Chien Video, Nails, Bagga Palace, East Lake Seafood Restaurant, Happy Home Realty & Financial, Khalsa Dentist, Liquors, Ice Cream, Ca Mua Restaurant
Evergreen Plaza Aborn & White	na	na	0%	$2.65	NNN	Save Mart, Starbucks
Silver Creek Marketplace 1636 E. Capitol Expwy At Silver Creek	1990	63,785	na	na	na	Hollywood Video, Evergreen Auto Parts, Supercuts, Stop 'n' Save
Silver Creek Plaza 1705 E Capitol Expwy At Silver Creek	1981	134,038	0%	$2.50 - $3.50	NNN	Safeway, OSH, Walgreens, Pet Food Express, Payless ShoeSource. Adding a 3,600 sf pad building. $2.50 for in-line locations, $4.00 on pad. NNN fees are approximately $0.55/sf.
Walgreens Quimby & White	n/a	n/a	n/a	n/a	n/a	Walgreens
White Road Plaza 1070 White Road Story & White	1987	152,439	n/a	n/a	n/a	Rite Aid, Albertson's, Big Lots, Kragen, Blockbuster, Payless Shoe Source
Silver Creek & Capitol Expwy	n/a	n/a	n/a	n/a	n/a	H&R Block, Hot Millions Pizza
Silver Creek & Capitol Expwy	n/a	n/a	n/a	n/a	n/a	Target, Kragen
Tully & S.King	n/a	n/a	n/a	n/a	n/a	Longs Drugs, Lucky 7

Table 12: Existing Retail Centers in Evergreen Local and Regional Trade Areas

Name of Center Location Intersection	Year Opened	GLA	Vacancy Rate	Lease Rates	Lease Terms	Tenants/Comments
Quimby & White	n/a	n/a	n/a	n/a	n/a	Factory 2-U, Senter Food 8
Story & S. King	n/a	n/a	n/a	n/a	n/a	Tropicana Foods, King Pizza
Story & Capitol Expwy	n/a	n/a	n/a	n/a	n/a	Auto Zone, McDonalds
Regional Trade Area						
Caribbees Shopping Center Lewis & Senter	n/a	83,000	0%	3/sf	NNN	Sentry Foods
Country Club Villa Shopping Center 3463 McKee rd Toyon Ave & McKee rd	n/a	120,000	0%	2/sf	NNN	Save Mart, Long's Drugs
Gould Shopping Center 1031 E Capitol Expwy E Capitol Expwy & McLaughlin	n/a	n/a	n/a	n/a	n/a	Albertson's, Rite Aid, Blockbuster
McKee Plaza 2323 McKee rd Jackson Ave & McKee rd	n/a	n/a	n/a	n/a	n/a	Kmart, Oriental Food Market
Mervyn's East Shopping Center Story Rd. & McGuiness Ave	n/a	n/a	n/a	n/a	n/a	Mervyns
Mt.Pleasant Shopping Center 3074 Story rd Story & White	n/a	n/a	n/a	n/a	n/a	Longs Drugs, Safeway, San Jose Blue Jeans

Table 12: Existing Retail Centers in Evergreen Local and Regional Trade Areas

Name of Center Location Intersection	Year Opened	GLA	Vacancy Rate	Lease Rates	Lease Terms	Tenants/Comments
Seventrees Shopping Center Monterey Hwy & Senter rd	n/a	n/a	n/a	n/a	n/a	Tropicana Market, Bank of America, Tru Value Hardware
Tropicana Shopping Center Story & King	n/a	n/a	n/a	n/a	n/a	
Tully Corners 1994 Tully rd Tully & Quimby	n/a	n/a	n/a	n/a	n/a	Michael's, Red Ribbon Bake Shop
White & McKee	n/a	n/a	n/a	n/a	n/a	Rite Aid, Price Buster Furniture
Little Saigon Plaza II McLaughlin & Story	n/a	n/a	n/a	n/a	n/a	Story Supermarket
Save Mart McLaughlin & Story	n/a	n/a	n/a	n/a	n/a	SaveMart
Story & Roberts	n/a	n/a	n/a	n/a	n/a	Hollywood Video, Radio Shack, Togo's
Smart & Final Tully & Monterey	n/a	n/a	n/a	n/a	n/a	Smart & Final
Old Tully Rd. & Monterey	n/a	n/a	n/a	n/a	n/a	C&K Furniture Outlet, Grocery Outlet
Costco Senter Rd. & Parrot	n/a	n/a	n/a	n/a	n/a	Costco
Old Tully Rd. & Senter	n/a	n/a	n/a	n/a	n/a	Fair Price Furniture, Leather Barn Furniture
White & Rock	n/a	n/a	n/a	n/a	n/a	Kelly-Moore Paints, OSH, Reeds Sporting Goods
Rock & Jackson	n/a	n/a	n/a	n/a	n/a	PW Market, Ace Hardware

Source: Bay Area Economics, 2005

Demand for New Neighborhood Retail

Key Assumptions

- Existing retail sales are based on BAE's analysis of store-by-store taxable sales trends. Generally, BAE has defined categories using California Board of Equalization summary tables and business codes. For food stores, the California State Board of Equalization (SBOE) Table 5 definitions include supermarkets, groceries, and specialty food outlets. GIS analysis was used to determine the volume of taxable sales for each trade area for each store type.
- Taxable sales demand estimates are based on annual per capita sales for San Mateo/Santa Clara Counties applied to the populations of each trade area.
- High and low income households are assumed to have spending patterns that diverge from average per capita sales. Based on the 2001 and 2002 BLS *Consumer Expenditure Survey,* sales have been adjusted up for households with income over $150,000 (approximately the top 20 percent of households) and adjusted downward for households with income under $25,000.
- BAE has estimated the percentage of sales demand capturable within the trade area at 90 percent of food sales and 80 percent of drug store sales. This estimate reflects the pattern that no single trade area can typically achieve 100 percent capture of potential sales, as sales can occur outside of trade area (e.g., at place of work, on vacation, etc.).
- To estimate supportable square feet of new retail outlets BAE has assumed taxable sales per square foot comparable to ULI's *Dollars & Cents of Shopping Centers: 2004* Western Regional Median Sales per GLA for Supermarket and Drug stores.
- BAE has assumed only one-third of food store sales and two-thirds of drug store sales are taxable.

Evergreen's Local Trade Areas were analyzed for the store categories are typically considered as "anchors," including grocery stores, drugstores, as well as the local portion of all apparel shopping (not necessarily seen as an anchor). The concept of "anchor" retail in a neighborhood means that residents and workers will visit these stores on a daily and/or weekly basis to meet their needs. Shopping trips to anchors typically generate additional purchases at other nearby stores selling merchandise or services that complement the convenience shopping trip. Typical trade areas of this type of shopping tend to be one to 1.5 miles, depending on the density of households and the distance by car or on foot to the shopping district.

For each of the above store category, the following analysis was conducted:

- **Estimate Potential Demand** - This number was based on the per capita potential sales for that store category, derived from analysis of the combined sales totals per capita for Santa Clara and San Mateo households. The potential sales were refined to adjust for variations in San Jose's household incomes across neighborhoods by evaluating national spending patterns for each type of good, and adjusting locally for the variations found among low income households and very high income households. The proportional variations in household spending of the top and bottom quintiles as shown in the U.S. Bureau of Labor Statistics' *Consumer Expenditures in 2002* were translated into adjustments for San Jose (which has higher incomes across the board than national levels).

- **Estimate Actual Sales** - This number was based on actual reported taxable sales on a store-by-store basis for each San Jose retailer.
- **Estimate Additional Capturable Sales (Comparison of Potential Sales with Actual Sales)** This calculation subtracts the actual sales from total potential sales to determine if additional sales are possible based on the number of households in the trade area. This calculation is performed for the current demand (existing population plus all planned and proposed) and for a future population that includes the 3,450 to 5,600 unites contemplated in the Evergreen Vision Strategy.
- **Convert into Supportable Square Feet -** When there were identified additional sales that could be captured in a neighborhood trade area, the sales dollars were converted into a square foot measure based on typical sales per square foot for that type of retailer.
- **Identify Trade Areas with Sufficient Demand to Support a New Store -** Since each type of store is typically built at a minimum size to be economically and operationally viable, this last step accounts for the minimum size needed to actually support an entire new store. In other words, it typically takes enough demand in grocery sales to support at least a 50,000 square foot store (generally the smallest size for a full service contemporary grocery store). Thus, only those trade areas with capturable demand sufficient to support this full size store were identified as able to attract a new store.

It should be noted that because this analysis is fine-grained by small trade area, it demonstrates the irregular spatial location of existing stores vis-à-vis the location of demand. Thus, for several neighborhood trade areas, which already have extensive grocery shopping, the analysis would show a negative number (meaning that the existing stores are already selling more goods than would be expected given the number of households within the trade area). These are likely locations where underserved neighborhood residents from adjacent neighborhoods shop today for basic items.

If new stores were developed in the trade areas showing sufficient demand to support them, it is likely that some stores in nearby neighborhoods would experience slight losses in their sales, as people would be able to shop closer to home in newly-served locations. It should be noted that the analysis adjusted supply and demand data to model a fully operational Lunardi's (data for this analysis is from 2003, Lunardi's first full year of operation).

Findings

The results of the local trade area analysis is shown in Tables 13 through 15, with findings summarized below.

Grocery Store Demand
The analysis conducted for this report indicates strong support for new grocery stores in Evergreen. Based on the report's analysis, current unmet demand translates into additional potential capturable sales of approximately $18 million. When adding the approved future housing units and development at the Evergreen Vision Strategy sites to the analysis, potential sales increase further to range of $43 to $54 million. These findings translate into additional market support for approximately 43,000 square feet of new grocery store space today, up to 105,000 to 133,000 square feet when the approved units are built. It should be noted that one of the main sources of grocery "supply" in Local Trade Area 4 is the new Lunardi's in Evergreen Village. Since this store's first full year of operation was 2003 (the data year of this analysis), BAE adjusted future residual demand in LTA 4 to account for a fully stabilized Lunardi's. This adjustment would still account for up to 45,000 square feet of grocery store demand in LTA 4.

Local Trade Areas 4 and 5 each will likely support an additional standard format grocery store with approximately 50,000 square feet (such as Safeway or Albertson's).

Because of land supply constraints in Local Trade Area 4, and the support for 66,000 square feet of grocery store space in Local Trade Area 2, the analysis concludes that the optimal location to meet this demand is at the White & Quimby site.

In addition, due to the market support identified in Local Trade Areas 1, 2, and 3, as well as the demographic characteristics in these areas (e.g., affluent households with sophisticated tastes and strong buying power), it is likely that the Arcadia site can also support the addition of an upscale grocer such as Whole Foods, Draeger's or Trader Joe's.

Drug Store Demand
As shown in Table 14, the analysis for drugstores indicates that current and future unmet demand results in potential capturable sales of up to $8 million, which translates into support for at least one new drugstore. However, none of the individual trade areas alone can support this store completely. Local Trade Areas 1 and 4 each demonstrate enough future demand to support 11,000 and 9,000 square feet of drugstore space respectively, but today's drugstores are typically in the 15,000 square foot range. Moreover, a Walgreen's is currently planned for the Evergreen Square center in Local Trade Area 4; thus, no additional drugstores are recommended for the Evergreen retail strategy.

Local Apparel Demand
Finally, a portion of all apparel sales were analyzed, to reflect the potential for small, local apparel stores. It should be noted that while this type of store is often considered highly desirable by local residents, most of the national clothing retailers long ago opted to locate at larger regional malls, leaving the independent retailer to venture into or remain in the neighborhood. Thus, it is difficult

to find smaller retailers who can sustain the risk of competing with mall stores, and merchandise their clothing appropriately in a neighborhood shopping center setting.

This challenge appears to be present in the Evergreen study area. Due to the large, established concentration of apparel stores at Eastridge Mall, it is difficult to identify sufficient unmet demand to support apparel stores at the neighborhood scale.

However, assuming that one or more very strong independent retailers could be identified, it may be possible to capture a small amount of local-oriented apparel demand, particularly within Local Trade Area 5 and 6. It should be noted that to assure market support for these kinds of retailers, several strong apparel retailers would need to be clustered together to form a small specialty apparel shopping attraction.

Table 13: Evergreen Grocery/Food Store Analysis

	Local Trade Areas 1	2	3	4	5	6	Total
Demand from Evergreen Regional Trade Area							
Population	23,716	13,886	18,228	5,129	10,966	3,523	75,448
Households	5,466	3,438	4,550	1,427	4,191	1,346	20,418
Households under $25k	454	219	295	37	346	179	1,530
Households over $150k	768	647	513	652	1,413	275	4,268
New Households (since 2000)	33	236	24	1,111	599	10	2,013
Proposed Additional Households - Low	412	1,935	100	1,769	420	-	4,636
Proposed Additional Households - High	912	2,135	100	2,869	770	-	6,786
Potential Capture Rate	90%	90%	90%	90%	90%	90%	90%
Current Evergreen Demand	$31,484,100	$19,380,000	$24,170,000	$11,800,000	$17,210,000	$4,760,000	$108,790,000
Future Evergreen Demand - Low	$33,705,000	$29,810,700	$24,709,100	$21,335,800	$19,474,000	$4,760,000	$133,780,400
Future Evergreen Demand - High	$36,400,300	$30,888,800	$24,709,100	$27,265,400	$21,360,700	$4,760,000	$145,370,100
Current Sales in Evergreen	$41,861,100	4,087,500	30,637,800	6,627,600	1,837,200	$6,098,100	$91,149,300
Current Demand Analysis							
Unmet Sales Demand	($10,380,000)	$15,290,000	($6,470,000)	$5,170,000	$15,370,000	($1,340,000)	$17,640,000
Supportable Sq. Ft. of New Space	(25,000)	37,000	(16,000)	13,000	38,000	(3,000)	43,000
Future Demand Analysis							
Unmet Sales Demand - Low	($8,156,100)	$25,723,200	($5,928,700)	$14,708,200	$17,636,800	($1,338,100)	$42,631,100
Supportable Sq. Ft. of New Space - Low	(20,000)	63,000	(15,000)	36,000	43,000	(3,000)	105,000
Unmet Sales Demand - High	($5,460,800)	$26,801,300	($5,928,700)	$20,637,800	$19,523,500	($1,338,100)	$54,220,800
Supportable Sq. Ft. of New Space - High	(13,000)	66,000	(15,000)	51,000	48,000	(3,000)	133,000
Assumptions:							
Per Capita Sales (a)	$1,458	$1,458	$1,458	$1,458	$1,458	$1,458	$1,458
Adjustment for high Income HH	*$741*	$741	$741	$741	$741	$741	$741
Adjustment for Low Income HH	*($131)*	($131)	($131)	($131)	($131)	($131)	($131)
Taxable Sales per Sq. Ft. (b)	$408	$408	$408	$408	$408	$408	$408

Notes:
(a) Sales based on California Board of Equalization Table 5 definition of food stores including supermarkets, groceries, and speciality food outlets.
(b) Demand based on annual sales averages for San Mateo & Santa Clara Counties of $506 per capita and an estimate of 90% of sales capturable in the subarea.
(c) Assumes taxable sales per square foot from Dollars & Cents of Shopping Centers: 2004 Western Regional Median Sales per GLA for Supermarket. Assumes only one third of sales are taxable.
(d) New households calculated using Planned and Proposed Development List from City of San Jose

Table 14: Evergreen Drug Store Analysis

	Local Trade Areas						
	1	2	3	4	5	6	Total
Demand from Evergreen Regional Trade Area							
Population	23,716	13,886	18,228	5,129	10,966	3,523	75,448
Households	5,466	3,438	4,550	1,427	4,191	1,346	20,418
Households under $25k	454	219	295	37	346	179	1,530
Households over $150k	768	647	513	652	1,413	275	4,268
New Households (since 2000)	33	236	24	1,111	599	10	2,013
Proposed Additional Households - Low	412	1,935	100	1,769	420	-	4,636
Proposed Additional Households - High	912	2,135	100	2,869	770	-	6,786
Potential Capture Rate	80%	80%	80%	80%	80%	80%	80%
Current Evergreen Demand	$3,807,700	$2,320,000	$2,920,000	$1,340,000	$2,000,000	$570,000	$12,960,000
Future Evergreen Demand - Low	$4,113,500	$3,756,400	$2,994,200	$2,653,200	$2,311,800	$570,000	$16,401,400
Future Evergreen Demand - High	$4,484,700	$3,904,900	$2,994,200	$3,469,700	$2,571,600	$570,000	$17,997,400
Current Sales in Evergreen	$0	3,360,900	3,331,600	0	3,328,200	$0	$10,020,700
Current Demand Analysis							
Unmet Sales Demand	$3,810,000	($1,040,000)	($410,000)	$1,340,000	($1,330,000)	$570,000	$2,940,000
Supportable Sq. Ft. of New Space	10,000	(3,000)	(1,000)	3,000	(3,000)	1,000	7,000
Future Demand Analysis							
Unmet Sales Demand - Low	$4,113,500	$395,500	($337,400)	$2,653,200	($1,016,400)	$570,000	$6,380,700
Supportable Sq. Ft. of New Space - Low	10,000	1,000	(1,000)	7,000	(3,000)	1,000	16,000
Unmet Sales Demand - High	$4,484,700	$544,000	($337,400)	$3,469,700	($756,600)	$570,000	$7,976,700
Supportable Sq. Ft. of New Space - High	11,000	1,000	(1,000)	9,000	(2,000)	1,000	20,000
Assumptions:							
Per Capita Sales (a)	$199	$199	$199	$199	$199	$199	$199
Adjustment for high Income HH	*$188*	$188	$188	$188	$188	$188	$188
Adjustment for Low Income HH	*($86)*	($86)	($86)	($86)	($86)	($86)	($86)
Taxable Sales per Sq. Ft. (b)	$397	$397	$397	$397	$397	$397	$397

Notes:
(a) Sales based on California Board of Equalization business code 27.
(b) New households calculated using Planned and Proposed Development List from City of San Jose
(c) Demand based on annual sales averages for San Mateo & Santa Clara Counties of $212 per capita and an estimate of 80% of sales capturable in the subarea.
(d) Assumes taxable sales per square foot from Dollars & Cents of Shopping Centers: 2004 Western Regional Median Sales per GLA for Drugstore/Pharmacy.
Assumes two third of sales are taxable.

Table 15: Evergreen Apparel Store Analysis

	Local Trade Areas 1	2	3	4	5	6	Total
Demand from Evergreen Regional Trade Area							
Population	23,716	13,886	18,228	5,129	10,966	3,523	75,448
Households	5,466	3,438	4,550	1,427	4,191	1,346	20,418
Households under $25k	454	219	295	37	346	179	1,530
Households over $150k	768	647	513	652	1,413	275	4,268
New Households (since 2000)	33	236	24	1,111	599	10	2,013
Proposed Additional Households - Low	412	1,935	100	1,769	420	-	4,636
Proposed Additional Households - High	912	2,135	100	2,869	770	-	6,786
Potential Capture Rate	20%	20%	20%	20%	20%	20%	20%
Current Evergreen Demand	$2,187,700	$1,320,000	$1,680,000	$720,000	$1,120,000	$340,000	$7,360,000
Future Evergreen Demand - Low	$2,645,000	$3,468,000	$1,791,000	$2,683,700	$1,586,200	$340,000	$12,506,200
Future Evergreen Demand - High	$3,200,100	$3,690,000	$1,791,000	$3,904,800	$1,974,700	$340,000	$14,892,900
Current Sales in Evergreen	$34,884,900	5,700	6,899,800	29,600	17,000	$5,100	$41,842,100
Current Demand Analysis							
Unmet Sales Demand	($32,700,000)	$1,310,000	($5,220,000)	$690,000	$1,100,000	$330,000	($34,480,000)
Supportable Sq. Ft. of New Space	(109,000)	4,000	(17,000)	2,000	4,000	1,000	(115,000)
Future Demand Analysis							
Unmet Sales Demand - Low	($32,239,900)	$3,462,300	($5,108,800)	$2,654,100	$1,569,200	$334,900	($29,335,900)
Supportable Sq. Ft. of New Space - Low	(107,000)	12,000	(17,000)	9,000	5,000	1,000	(98,000)
Unmet Sales Demand - High	($31,684,800)	$3,684,300	($5,108,800)	$3,875,200	$1,957,700	$334,900	($26,949,200)
Supportable Sq. Ft. of New Space - High	(106,000)	12,000	(17,000)	13,000	7,000	1,000	(90,000)
Assumptions:							
Per Capita Sales (a)	$453	$453	$453	$453	$453	$453	$453
Adjustment for high Income HH	$871	$871	$871	$871	$871	$871	$871
Adjustment for Low Income HH	($317)	($317)	($317)	($317)	($317)	($317)	($317)
Taxable Sales per Sq. Ft. (b)	$300	$300	$300	$300	$300	$300	$300

Notes:
(a) Sales based on California Board of Equalization business code 27.
(b) New households calculated using Planned and Proposed Development List from City of San Jose
(c) Demand based on annual sales averages for San Mateo & Santa Clara Counties of $212 per capita and an estimate of 80% of sales capturable in the subarea.
(d) Assumes taxable sales per square foot from Dollars & Cents of Shopping Centers: 2004 Western Regional Median Sales per GLA for Drugstore/Pharmacy.
Assumes two third of sales are taxable.

Demand for New Region-Serving Lifestyle Retail

Market Support for New Lifestyle Retail

This portion of the analysis focuses on "anchor" retailers that can form the nucleus of a region-serving lifestyle center adjacent to Eastridge Mall. The analysis was conducted with the assumption that after renovations to Eastridge Mall, which include a new multi-screen movie theater, this established regional mall will become an even stronger traditional shopping destination. Thus, retail development at the Arcadia site adjacent to Eastridge must be carefully considered and positioned as a complement to the established mall, building on and enhancing the opportunity at this location to create a "lifestyle" center.

Lifestyle centers are a relatively recent evolution of traditional retailing. Building on the success of specialized retailers targeting certain market segments, the lifestyle center combines entertainment (e.g., movies), shopping, and dining to create an experience that results in a longer stay and increased spending. Lifestyle centers are usually designed as open-air experiences, promoting gathering places, cafes, etc. These centers also often include other uses such as residential or office space above the retail. In San Jose, a popular example of this concept is Santana Row.

It should be noted, however, that the traditional rules of retailing still must be considered to create a successful lifestyle center in most markets. Anchor stores or other destinations are necessary to attract sufficient customers to support the concept, similar to the idea of a traditional mall configuration. Thus, the analysis for this report incorporates the more traditional "anchor" categories, but assesses their potential support assuming that they would be the lifestyle-oriented versions of the category. For example, the analysis looks at anchors such as bookstores (e.g., Barnes & Noble, Borders), home furnishings (e.g., Crate & Barrel, Pottery Barn, Restoration Hardware), and restaurants. In addition, the analysis examines lifestyle apparel retailers (e.g., Chico's, Banana Republic) and shoes. In order to further assess the broadest range of possible anchors not present in the defined trade area, the analysis explored consumer electronics (e.g., Circuit City, Best Buy, CompUSA), pet suppliers (e.g. PetsMart, Petco), and sporting good stores (e.g. Sportmart, Copeland's).

It should also be noted that in some parts of the U.S, the regional trade area that would be analyzed for this range of potential retailers would encompass a larger geography than the trade area assumed herein. However, the regional trade area as defined was considered appropriate in this case due to the affluence present in parts of Southeast San Jose, the lack of this type of specialty retailing supply in the same area, the future growth potential in Evergreen, the relative density of "rooftops" compared to other parts of the country, and the strong interest from national retailers in developing this product type in Northern California.

For each of the above store category, the following analysis was conducted:

- **Estimate Potential Demand** - This number was based on the per household potential sales for that store category, derived from analysis of the combined sales totals per household for

Santa Clara and San Mateo Counties. The potential sales were refined to adjust for variations in San Jose's household incomes across neighborhoods by evaluating national spending patterns for each type of good, and adjusting locally for the variations found among low income households and very high income households. The proportional variations in the national data were translated into adjustments for San Jose (which has higher incomes across the board than national levels).

- **Estimate Actual Sales** - This number was based on actual reported taxable sales on a store-by-store basis for each RTA retailer.
- **Estimate Additional Capturable Sales (Comparison of Potential Sales with Actual Sales)** This calculation subtracts the actual sales from total potential sales to determine if additional sales are possible based on the number of households in the trade area. This calculation is performed for the current demand (existing population plus all planned and proposed) and for a future population that includes the 3,450 to 5,600 unites contemplated in the Evergreen Vision Strategy.
- **Convert into Supportable Square Feet -** When there were identified additional sales that could be captured in a neighborhood trade area, the sales dollars were converted into a square foot measure based on typical sales per square foot for that type of retailer.
- **Identify Trade Areas with Sufficient Demand to Support a New Store -** Since each type of store is typically built at a minimum size to be economically and operationally viable, this last step accounts for the minimum size needed to actually support an entire new store. In other words, it typically takes enough demand in home improvement sales to support at least a 100,000 square foot Home Depot or Lowe's store. Thus, capturable demand sufficient to support this full size store was identified as able to attract a new store.

Key Assumptions

- Retail Sales (supply) is based on BAE's analysis of store-by-store taxable sales trends. Generally, BAE has defined categories using California Board of Equalization summary tables and business codes. GIS analysis was used to determine the volume of taxable sales for each trade area for each store type.
- Taxable sales demand estimates are based on annual per household sales for San Mateo/Santa Clara Counties applied to the populations of each trade area.
- High and low income households are assumed to have spending patterns that diverge from average per capita sales . Based on the 2001 and 2002 BLS *Consumer Expenditure Survey,* sales have been adjusted up for households with income over $150,000 (approximately the top 20 percent of households) and adjusted downward for households with income under $25,000.
- BAE has estimated the percentage of sales demand capturable within the trade area at 70 percent for most store types, with fast food restaurants at 90 percent and home furnishings at 60 percent. This estimate reflects the pattern that no single trade area can typically achieve 100 percent capture of potential sales, as sales can occur outside of trade area (e.g., people willing to drive to specific stores or shopping areas.).

- To estimate supportable square feet of new retail outlets BAE and Metrovation relied on our professional judgment and our analysis of San Jose retail sales trends.

Anchor Tenant Support for Lifestyle Center

- Bookstore space is strongly supported by current and future demand, resulting in support for 58,000 square feet today and a range of 66,000 to 70,000 square feet in the future. Current demand is sufficient to attract and support an anchor bookstore for a lifestyle center, such as a Barnes & Noble.

- Home furnishings demand could support 99,000 square currently, and a range of 115,000 to 120,000 square feet of based on future demand. Current demand is sufficient to support an anchor home furnishing store or other large home accessory store for a lifestyle center. Examples in this size range include Pottery Barn and Crate & Barrel.

- Regional demand for apparel is strong, with 128,000 square feet of space supported by current demand, and a range of 156,000 to 166,000 square feet supported by future demand. However, there is little support for shoe retailers within this mix of space.

- Sporting goods demonstrates current support for 27,000 square feet, and future support for a range of 33,000 to 36,000 square feet. This support is sufficient to attract a major sporting goods retailer such as Sportmart or Copeland's.

- Restaurant demand is strong in all for all types except fast food (currently sufficiently supplied in the trade area). Though not the primary draw, a complementary cluster of restaurants serves as high-grossing tenants at lifestyle centers and help lengthen the shopping trip, expanding opportunities for other retailers.

- Support for building materials (home improvement) is also strong with 160,000 square feet supported by current demand, and a range of 181,000 and 188,000 square feet from future demand. This finding indicates sufficient support for at least one full size home improvement store. Although home improvement stores are not typically included in lifestyle centers, the overlap with home furnishings demonstrates the need for these uses in the Evergreen area and may indicate other potential tenants for a lifestyle center.

- Consumer electronics demand is weak, showing no current or future unmet demand sufficient enough to support stores being developed today to serve this category.

- Support for pet supply stores is marginal, with up to 11,000 square feet of supportable space from future demand. This is not sufficient to support an anchor user such as Petco or PetsMart, which build at larger scales and would need stronger potential sales than indicated by the analysis.

Table 16: Evergreen Regional Demand

	Apparel	Shoes	Books/ Stationary	Home Furnishings	Consumer Electronics	Eating and Drinking: No Alcohol (incl Fast Food)	Eating and Drinking: Beer & Wine	Eating and Drinking: All types of Alcohol
Demand from Evergreen Regional Trade Area								
Population	317,887	317,887	317,887	317,887	317,887	317,887	317,887	317,887
Households	76,979	76,979	76,979	76,979	76,979	76,979	76,979	76,979
Households under $25k	11,273	11,273	11,273	11,273	11,273	11,273	11,273	11,273
Households over $150k	8,605	8,605	8,605	8,605	8,605	8,605	8,605	8,605
New Households (since 2000)	4,802	4,802	4,802	4,802	4,802	4,802	4,802	4,802
Proposed Additional Households - Low	6,369	6,369	6,369	6,369	6,369	6,369	6,369	6,369
Proposed Additional Households - High	8,469	8,469	8,469	8,469	8,469	8,469	8,469	8,469
Potential Capture Rate	70%	70%	70%	60%	70%	90%	70%	70%
Current Evergreen Demand	$90,130,000	$12,330,000	$22,280,000	$50,450,000	$28,790,000	$99,410,000	$64,380,000	$46,330,000
Future Evergreen Demand - Low	$98,609,687	$13,655,230	$24,687,482	$55,901,227	$31,803,811	$110,090,335	$71,297,052	$51,307,692
Future Evergreen Demand - High	$101,405,627	$14,092,187	$25,481,282	$57,698,617	$32,797,531	$113,611,878	$73,577,757	$52,948,947
Current Sales in Evergreen	$51,730,600	14,632,500	6,171,400	15,790,900	33,792,600	$88,723,400	$53,754,900	$8,868,300
Current Demand Analysis								
Unmet Sales Demand	$38,400,000	($2,300,000)	$16,110,000	$34,660,000	($5,000,000)	$10,690,000	$10,630,000	$37,460,000
Supportable Sq. Ft. of New Space	128,000	(12,000)	58,000	99,000	(7,000)	15,000	21,000	75,000
Future Demand Analysis								
Unmet Sales Demand - Low	$46,880,000	($980,000)	$18,520,000	$40,110,000	($1,990,000)	$21,370,000	$17,540,000	$42,440,000
Supportable Sq. Ft. of New Space - Low	156,000	(5,000)	66,000	115,000	(3,000)	31,000	35,000	85,000
Unmet Sales Demand - High	$49,680,000	($540,000)	$19,310,000	$41,910,000	($1,000,000)	$24,890,000	$19,820,000	$44,080,000
Supportable Sq. Ft. of New Space - High	166,000	(3,000)	69,000	120,000	(1,000)	36,000	40,000	88,000
Potential Anchors	Banana Republic Old Navy	DSW Shoes Shoe Pavilion	Barnes & Nobles Borders	Crate & Barrel Pottery Barn	Best Buy Good Guys	In and Out	Applebys	Outback Steakh
Assumptions:								
Per HH Sales (a)	$1,478	$205	$360	$951	$447	$1,285	$1,070	$770
Adjustment for Low Income HH	($309)	($144)	($216)	($571)	($139)	($900)	($749)	($539)
Adjustment for High Income HH	$848	$185	$360	$951	$458	$1,157	$963	$693
Taxable Sales per Sq. Ft. (b)	$300	$190	$280	$350	$700	$700	$500	$500

Notes:

(a) Demand based on annual sales averages for San Mateo & Santa Clara Counties for home furnishings. Per Capita sales adjusted for imputed high and low income household spending.
(b) Taxable sales per square foot based on Metrovation estimates.
(c) San Jose sales only.

Table 16: Evergreen Regional Demand (Continued)

	Home Improvement	Pet	Sporting Goods
Demand from Evergreen Regional Trade Area			
Population	317,887	317,887	317,887
Households	76,979	76,979	76,979
Households under $25k	11,273	11,273	11,273
Households over $150k	8,605	8,605	8,605
New Households (since 2000)	4,802	4,802	4,802
Proposed Additional Households - Low	6,369	6,369	6,369
Proposed Additional Households - High	8,469	8,469	8,469
Potential Capture Rate	70%	70%	70%
Current Evergreen Demand	$93,080,000	$3,490,000	$18,170,000
Future Evergreen Demand - Low	$103,080,636	$3,864,943	$20,122,290
Future Evergreen Demand - High	$106,378,066	$3,988,570	$20,766,003
Current Sales in Evergreen	$15,356,900	553,500	10,106,100
Current Demand Analysis			
Unmet Sales Demand	$77,720,000	$2,940,000	$8,060,000
Supportable Sq. Ft. of New Space	160,000	10,000	27,000
Future Demand Analysis			
Unmet Sales Demand - Low	$87,720,000	$3,310,000	$10,020,000
Supportable Sq. Ft. of New Space - Low	181,000	11,000	33,000
Unmet Sales Demand - High	$91,020,000	$3,440,000	$10,660,000
Supportable Sq. Ft. of New Space - High	188,000	11,000	36,000
Potential Anchors	Home Depot Lowes	Pet Smart Petco	Big 5 Sports

Assumptions:			
Per HH Sales (a)	$1,547	$58	$302
Adjustment for Low Income HH	($1,083)	($41)	($211)
Adjustment for High Income HH	$1,392	$52	$272
Taxable Sales per Sq. Ft. (b)	$485	$300	$300

Notes:

(a) Demand based on annual sales averages for San Mateo & Santa Clara Counties for home furnishings. Per Capita sales adjusted for imputed high and low income household spending.
(b) Taxable sales per square foot based on Metrovation estimates.
(c) San Jose sales only.

Demand for Small Office Spaces

In addition to retail demand, the market needs for additional smaller office spaces to house business services (e.g., accounting, management consulting, engineers, attorneys), personal services (e.g., nail salons, travel agencies, UPS stores), and medical services was explored. These uses are complementary to retail centers, and can sometimes be provided both at the ground floor retail level if serving pedestrians or shoppers coming to the retail stores. In other situations, relating mostly to the business services, these uses can work well as second floor uses above retail, providing professional office space for small businesses.

To assess market support for these uses, the following steps were completed:

- Document existing available space and real estate market indicators (e.g., rents, occupancy rates)
- Analyze data regarding the number of small businesses in the area and region
- Explore "working at home" Census data to provide another indicator of the presence of small business not able to find suitable office or service space

Current Supply in Evergreen

The current supply of small business and professional service space in Evergreen is limited, and is available mostly as less-visible space within small shopping centers. During field research, only two small spaces were identified as available for lease, including a 950 square foot space in the Evergreen Village shopping center, and 4,800 square feet in the Tully Business Center. In addition, a medical office building on Jackson Avenue had a small 1,200 square foot medical office space available for lease.

Potential Demand for Office Space

The distribution of jobs by size of firm was also analyzed for this study. As shown in Table 17, about 490 firms have fewer than five employees in the Local Study Area (roughly 11 percent of all jobs in the Area). Total demand for space is also estimated; resulting in the need for approximately 200,000 square feet. The Regional Trade Area has an additional 1,500 firms with fewer than five employees (roughly 7 percent of all jobs in the Area) and additional demand for 530,000 square feet of office space. Generally smaller firms are locally based dependent either on the location of their client base or the residence of the owner. Small businesses are the most likely to expand and require additional local office space. Additionally, many of these businesses serve the local population and as Evergreen grows demand for these businesses will grow proportionally. Assuming that 50 percent of these businesses are local-serving, the build out proposed in the Evergreen Visioning Project would generate over 30,000 square feet of additional office demand.

As an additional piece of information, the research also looked at "working at home" data from the U.S. Census. As shown in Table 18, approximately 1,150 residents of the Evergreen local area are working at home (some of these may also be counted in the small firms cited above). Based on the almost 5 percent working at home rate in newer parts of Evergreen an additional 200 to 300 home-based businesses can be expected. If 10 percent of these home-based businesses seek local Evergreen office space, 45,000 square feet of additional demand would be generated.

These indicators of local office space needs, based on both the small business data and the proportion of residents working at home, suggest a strong demand for additional small office spaces to house both business and personal services. Buildout of Evergreen Visioning Project could lead to up to 75,000 square feet of additional office demand.

Table 17: Evergreen Establishments with Fewer than 5 Employees

	Local Trade Area	Regional Trade Area
All Establishments		
Total Establishments	741	3,334
Total Employees	6,045	36,623
Total Annual Payroll ($1,000s 2002	$164,520	$1,273,578
	$27,200	$34,800
Establishments fewer than 5 employees		
Total Establishments	490	1,991
Industry Code		
51 Information	7	17
52 Finance & Insurance	24	77
53 Real Estate & Rental & Leasing	29	112
54 Professional, Scientific & Tech	93	204
55 Management	1	2
61 Educational Srvcs	11	19
62 Health care & social assistance	66	315
81 other services	38	228
Total	**269**	**974**
Estimated Employment	672	2,435
Share of Total Employment	11%	7%
Potential Space Demand for Small Business (b)	201,750	730,500

Notes:
(a) LTA composed of zip codes 95121, 95122, 95135, 95148 with the RTA adding zip codes 95111, 95116, 95127 & 95138.
(b) Demand estimate based on average of 2.5 employees per establishment, and 300 square feet per employee.

Source: U.S. Census Zip Code Business Patterns, 2002, Bay Area Economics, 2005.

Table 18: Evergreen Working at Home

LTA	Total Workers	Working at Home	
	Number	Number	%
1	16,476	315	1.9%
2	11,497	275	2.4%
3	9,180	195	2.1%
5	4,350	215	4.9%
6	3,217	150	4.7%
Evergreen Local Trade Area	**44,720**	**1,150**	**2.6%**

Sources: U.S. Census Census Transportation Planning Package, 2000; Bay Area Economics, 2005.

Conclusions and Recommendations

Arcadia Site

The Evergreen region exhibits strong demand for a number of lifestyle anchors including bookstores (e.g., Barnes & Noble, Borders), home furnishings (e.g., Crate & Barrel, Pottery Barn, Restoration Hardware), lifestyle apparel (e.g., Chico's, Banana Republic), restaurants and sporting good stores (e.g. Sportmart, Copeland's).

Given the strong regional demand as well as the unique opportunity of a large site adjacent to Eastridge Mall, the northern portion of this site should be developed as a lifestyle retail center. Retail at this site must be carefully positioned to dovetail with the lifestyle components, such as the multi-screen movie theater under construction at Eastridge. The following retail components are recommended for this site (can be planned along with other land uses to create mixed-use property):

Total Retail 300,000 sq.ft.

- Home Furnishings – 40,000 sq.ft.
- Furniture – 50,000 sq.ft.
- Bookstore – 25,000 sq.ft.
- Sporting Goods Store – 25,000 sq.ft.
- Upscale Grocery Store – 40,000 to 50,000 sq.ft.
- Small shops/restaurants – 50,000 to 80,000 sq.ft.

This site was also tested for potential financial feasibility, if developed as a mixed-use project with housing, lifestyle retail, and parking. The scenarios tested indicted that such a mixed use project can be financially viable in today's marketplace, depending on further site planning to ensure that the appropriate layout and functionality of the retail can be preserved and parking still provided for all uses.

Recommendations
According to Metrovation, it is important to note that while a Smart Growth approach to this site would often lead in the direction of placing for-sale housing units over some portions of the ground-floor retail, some of today's developers and anchor retailers have not accepted a "vertical mixed use concept" as advocated by some smart growth site designs. Reasons for this resistance and lack of interest by developers/anchor retailers include perceived additional development and financial risk, the concern that permanent residents may be disruptive to shoppers, and the added complexities of building design. While projects placing for-sale housing above grocery stores or furniture stores have been developed on a limited basis around the U.S., a full vertical mixed-use product type should be considered as more difficult to attract a strong pool of potential developers.

Thus, design and ultimate land use mix is key to implementing the vision over the near-term, and careful planning with separation of the mix of uses in a practical way will broaden the development's ability to be immediately constructed. If more density is desired, and the resulting design places housing directly over substantial amounts of key retailers on the site (and/or creates the need to park shoppers' cars in a structured garage), the resulting project may face a longer development period as leading developers and retailers perfect their approaches to smart growth designs.

Evergreen Community College Site

The Evergreen Community College Property is ideally suited to capture local serving demand. A 55,000 to 65,000 square foot local serving neighborhood center is recommended, occupied primarily by a 50,000 square foot traditional supermarket.

Recommendation
Due to this site's adjacency to the Evergreen Marketplace, no additional drugstore is feasible at the new retail component; rather, the two sites should be designed to function in tandem, creating a single retail node.

Pleasant Hills Golf Course

The Local Trade Area containing the Pleasant Hills Golf Course does not exhibit local serving demand for grocery. Though the LTA shows support for 11,000 square feet of drugstore, the pending addition of Walgreen's at Evergreen Village reduces overall drug demand to the point where another drugstore is not recommended for Evergreen. Though the site location is not well suited for a major retail center, the overall retail demand indicates that a 5,000 square foot convenience center could be a development component on this site.

Recommendation
To avoid cannibalization of existing and other planned retail it may be appropriate to eliminate or limit the scope of the site's retail development, but leave its land use designations flexible enough to accommodate this small facility.

The "Industrial" Properties

The "Industrial" Properties straddle Local Trade Areas 4 and 5 and though there is strong local serving demand in these trade area, the site location is not well suited for a full neighborhood retail center. Given the overall retail demand as well as the affluence of surrounding residential communities, a small 5,000 to 10,000 square foot specialty/convenience center could be appropriate as part of the mix of uses on this large site.

White/Quimby Site

This site is well-positioned to be modernized or reused as a 90,000 to 100,000 square foot contemporary neighborhood retail center, anchored by a traditional 50,000 square foot grocery store. Market support for the grocery store would come from surrounding Local Trade Areas lacking sufficient support on their own to support a new store (including demand adjustments assuming that future demand will support the Lunardi's in Evergreen Village), as well as enhanced sales from replacement of the current underperforming store.

This concept has been tested for financial feasibility in this report. In general, a mix of neighborhood retailing along with for-sale condominiums, will yield sufficient financial return to stimulate a feasible new development project.

Recommendation

The White & Quimby site offers the strong potential for reuse to better meet shopping needs and bring higher quality facilities and merchandise to the Evergreen area. Changes to this center will also help reduce traffic congestion from Evergreen residents driving elsewhere to meet their retail needs. It is recommended that this site be considered for reuse, which may require the involvement of the San Jose Redevelopment Agency to assist with site assembly.

Appendix Tables & Maps

Included as a separate PDF file